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South Pacific Forum Summit Opens in Honiara

BK0807074892 Melbourne Radio Australia in English 0500 GMT 8 Jul 92

[Text] The 23d South Pacific Forum Summit has opened in Honiara with a call for closer and more frequent regional cooperation. The governor-general of Solomon Islands Sir George Lepping made the call in his opening address to the forum leaders' summit. Sir George said the challenge ahead for South Pacific countries lay in addressing a range of economic, environmental, and political issues affecting the region. He said the essence of forum summits must be a spirit of cooperation shown by (?forum) member countries in addressing such issues.

To Accept Taiwan as Partner

BK0807063192 Hong Kong AFP in English 0457 GMT 8 Jul 92

[Text] Honiara. July 8—The South Pacific Forum is to accept Taiwan as a dialogue partner, risking withdrawal by long-term dialogue partner China, officials said here Wednesday.

Forum spokesman Bikeniben Paeniu, the prime minister of Tuvalu, told reporters the forum countries decided they would not be dictated to by outsiders.

"The forum view is that we do not wish external countries to impose on us by dividing the forum because that is exactly what (has been) happening right now," he said.

China is a dialogue partner along with other countries and groups with interest in the Pacific, including the United States, Britain, France, Canada, Japan, and the European Community—all of which are aid donors.

The dialogue partners meet forum delegates, generally prime ministers and officials, in a conference immediately after the two-day forum which opened Wednesday to discuss issues such as aid and economic development.

Taiwan, also a donor of aid, has been trying for several years to gain access, with the support of Pacific countries with which it has close relations including Nauru, Tuvalu, Tonga, and the Solomon Islands.

But China, supported by countries such as Fiji and Papua New Guinea, with which it has close ties, has managed to keep Taiwan out.

The issue had threatened recently to cause a deep split within the forum group of 15 nations.

Beijing has consistently said that while it understands the need for forum countries to establish economic links with Taiwan, any official contact with the forum would be unacceptable.

Last year, China threatened to quit if Taiwan was accepted and the application by Taiwan was rejected while the forum secretariat was instructed to seek a compromise solution.

Various proposals were made, but none were acceptable, leading to fears Taiwan's application would be rejected again.

Announcing the decision, Paeniu said the forum was mindful of the sensitivities of the issue to the majority of forum member countries which did not have relations with Taiwan.

He said it was a purely forum issue and Taiwan was accepted as a dialogue partner.

But the forum had gone "a long way" towards trying to accommodate the wishes of China while deciding to accept Taiwan, Paeniu added.

A forum official said later that China adopted a "very aggressive posture" during talks [on] the issue at last year's forum and had threatened then to pull out.

"They have not made the same threat this year but I suppose it is a question now of wait and see what happens. We cannot preempt their decision," the official said.

Japan

Business Leaders Welcome Summit Declaration

OW0807105592 Tokyo KYODO in English 1018 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—The Japanese business community generally welcomed Wednesday an economic statement issued at the end of the Munich summit of seven industrialized nations.

The statement prompted business leaders to urge the government to implement powerful pump-priming measures to help Japan attain its 3.5 percent growth target for the current fiscal year.

"We welcome the agreement on policy coordination" for sustained economic growth, said Gaishi Hiraiwa, chairman of the Federation of Economic Organizations (Keidanren).

"As for Japan, it is necessary to make the utmost effort, including formulation of a supplementary budget this autumn, to attain the 3.5 percent growth target for the current fiscal year," he said.

Takeshi Nagano, chairman of the Japan Federation of Employers' Associations (Nikkeiren), said it is necessary for Japan to accomplish the growth target.

Masaru Hayami, head of the Japan Association of Corporate Executives (Keizai Doyukai), urged the Japanese Government to make further efforts to promote the stalled Urguay Round trade talks under the Agreement on Tariffs and Trade (GATT).

"Japan should work on the United States and European countries. It is necessary for Japan to make a political decision on the farm trade issue," he said.

While appreciating the government's efforts for settlement of the territorial issue with Russia, Hayami said it is necessary for Japan to normalize relations with Russia through developing interchanges between the two countries.

Okinawa's U.S. Bases Environmental Issues Noted

OW0807063992 Naha OKINAWA TIMES in Japanese 8 Jul 92 Morning Edition p 10

[Text] Tadashi Someha, 53, who has been named the new chief of the Naha Defense Facilities Administration Bureau [NDFAB], held a news conference at the NDFAB on 7 July. Regarding environmental problems related to the U.S. military bases, including the issues of the outflow of red earth and waste oil contaminated with PCB's [polychlorinated biphenyl], he said: "It is only natural for the U.S. Forces to take precautions in order not to affect public safety and the people's livelihood in the use of their facilities." In this way, Mr. Someha indicated his intention to call on the U.S. Forces to pay close attention to these problems.

Touching on how to deal with the issue of the return of the U.S. military bases, including the Naha Naval Port and other sites, on which an accord was reached at the Japan-U.S. Joint Committee session held in June 1990, Bureau Chief Someha merely stated the following: "I understand it is ncessary to readjust and integrate military bases. I would like to first grasp the actual situation and then tackle this issue."

Regarding the issue of renewal of military land lease contracts, which is to be completed in 1997, Mr. Someha stressed his intention to obtain landowners' agreements, adding: "I will make the utmost efforts to obtain renewal agreements from as many landowners as possible by 1997." Because Yasushi Akashi, secretary general for the UN Transitional Authority in Cambodia [UNTAC] has remarked on the idea of setting up peacekeeping operation (PKO) training centers in Okinawa, attention has been focused on this plan. Regarding this issue, Mr. Someha took the position of making no comments, saying: "Since I have heard nothing from above, I would like to refrain from making any comments."

'Cabinet-Level' Meeting With U.S. Postponed

OW0707101192 Tokyo KYODO in English 0951 GMT 7 Jul 92

[Text] Tokyo, July 7 KYODO—A Japan-U.S. cabinet-level defense conference scheduled for later this month has been postponed while Foreign Minister Michio Watanabe recovers from gallstone surgery, government sources said Tuesday.

Government officials said that while Watanabe slowly assumes his official duties this month, they consider his trip overseas impossible.

They were also uncertain over what the political situation in Japan might be like after the July 26 House of Councillors election in which the recently enacted Peacekeeping Cooperation Law is expected to be the central issue.

Working-level joint security talks were scheduled to begin July 16 in Washington.

With the summer vacation in August, the officials suggested the conference will likely be postponed until autumn.

Issues pending in the Japan-U.S. security arrangement have lost some of their urgency following the end of the cold war, but the officials suggested the cabinet-level meeting will be important in reaffirming the importance of the arrangements.

Makita To Advance Expansion of U.S. Plant

OW0707094492 Tokyo KYODO in English 0902 GMT 7 Jul 92

[Text] Nagoya, July 7 KYODO—Makita Corp., Japan's top electric tool manufacturer, plans to expand production capacity at its U.S. plant by 1994, two years ahead of schedule, in an effort to thwart possible antidumping duties, Makita officials said Tuesday.

They said the move comes in response to a complaint filed last may by major U.S. electric tool maker Black and Decker Corp. accusing Makita and two other Japanese firms of dumping their electric tools on the U.S. market.

The complaint, if endorsed by the U.S. Government, could force Makita to raise prices of its products in the United States, meaning that Makita would lose its price competitiveness, the officials said.

They said Makita plans to double monthly production capacity at the plant in Georgia to 400,000 units so that it can raise the ratio of locally made products to total U.S. sales to 70 percent from some 50 percent at present.

The expansion would cost some 2 billion yen, the officials said.

Mitsubishi To Supply Engines to U.S. Firm

OW0707094592 Tokyo KYODO in English 0908 GMT 7 Jul 92

[Text] Tokyo, July 7 KYODO—Mitsubishi Heavy Industries Ltd. (MHI) said Tuesday it has signed a five-year agreement with Briggs and Stratton Corp. of the United States to supply the latter with low-power industrial engines.

MHI will supply Briggs and Stratton with air-cooled, four-stroke engines that range in power between 2.7 and 10 horsepower for use in agricultural and industrial machinery, company officials said.

The Milwaukee, Wisconsin-based manufacturer of low-powered engines, including motors for lawn mowers, will sell the new engines worldwide outside Japan under the "Vanguard" brand name, the officials said.

Center Planned To Aid U.S. Parts Suppliers

OW0807000292 Tokyo KYODO in English 2303 GMT 7 Jul 92

[Text] Nagoya, July 8 KYODO—Toyota Motor Corp. said Wednesday it will set up in September an auto parts supplier support center in Lexington, Kentucky, to assist North American auto parts makers who wish to improve productivity and quality.

The Toyota Supplier Support Center will seek to aid parts manufacturers in boosting manufacturing capabilities and reducing cost of production, Toyota officials said.

The center will provide the service to companies already contracted as parts suppliers to Toyota, they said.

The center will be staffed initially by 13 persons—10 Americans and three Japanese—who will work with several suppliers a year, the officials said. It will also provide seminars and other activities to explain Toyota's approach to manufacturing, they said.

Toyota will provide on-site assistance to seven or eight companies free of charge a year but will charge fees for attendance at seminars, the officials said. The operating expenses of the center will amount to about 400 million yen a year, they said.

The center will operate in Lexington until the spring of 1994, when it will move to another facility Toyota plans to build in Georgetown, Kentucky, the officials said.

Group Leaves for Russia To Visit POW Graves

OW0707045492 Tokyo KYODO in English 0433 GMT 07 Jul 92

[Text] Niigata, July 7 KYODO—A group of 39 Japanese left Niigata Tuesday for Chita Oblast, Russia, by air to visit the graves of Japanese prisoners of war (POWs) who died in Siberian labor camps after World War II.

The group, composed of 33 family members, and Health and Welfare Ministry officials, plans to visit nine places in Chita Oblast in Eastern Siberia, where some 731 Japanese POWs are believed to be buried.

Mutsumi Inoue, 72, from Kagoshima Prefecture, whose husband was drafted a month before the end of the war and died during detention, said she has been waiting for half a century to visit his grave.

The group is scheduled to return to Japan on July 14.

The Health and Welfare Ministry mission last October recovered the remains of 56 Japanese POWs in Chita Oblast, of whom 10 were identified.

The ministry plans to carry out full-scale excavation works in the area for five years starting this year. It plans to send a second mission to Chita and Magadan, also in Eastern Siberia, on July 14 to collect the still unrecovered remains.

Some 53,000 of the 575,000 prisoners captured by the Soviet Army in Japanese-occupied Manchuria and other regions are believed to have died in camps in Siberia and Mongolia.

The ministry estimates that among those who died, 7,355 died in Chita Oblast.

MITI To Assist Russia With Nuclear Safety

OW0807094192 Tokyo KYODO in English 0924 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—The Ministry of International Trade and Industry (MITI) plans to offer financial and technological aid to the former Soviet republics and East Europe to improve the safety of their nuclear power plants, MITI officials said Wednesday.

The aid is in line with an economic communique, urging emergency measures to secure safety of the former East bloc's nuclear power plants, which was issued

Wednesday by the leaders of seven major industrialized nations at their economic summit in Munich.

MITI's 25 million dollars in planned financial aid will promote emergency repairs of Soviet-made reactors in danger of nuclear accidents, and the technological assistance will provide instruction for engineers in safety control of power plants, the officials said.

Developed countries estimate the needed equipment will cost some 700 million dollars.

The ministry plans to accept 1,000 reactor engineers over the next 10 years from Russia and other former Soviet republics and East European nations at safety training centers in Japan from this fiscal year, the MITI officials said. The first 60 trainees, 30 of them from Russia, are to come in October, they said.

MITI is also considering setting up a training center in Russia to improve safety of reactors operating there, they said.

The ministry sent an investigation mission to the former Soviet Union and East Europe in May, which reported a need for Japanese technological assistance, the officials said.

Yeltsin Criticism on Dispute Issue at G-7 Viewed

OW0807114692 Tokyo KYODO in English 1110 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—Japan suggested Wednesday that Russian President Boris Yeltsin was posturing when he criticized a statement by leaders of seven major industrial nations calling for resolution of a Russo-Japanese territorial dispute.

Top government spokesman Koichi Kato noted that the statement by the Group of Seven (G-7) leaders supporting normalized Russian-Japanese [relations] used Yeltsin's own wording.

"This is not something Yeltsin should express dissatisfaction with," Kato, the chief cabinet secretary, told a news conference.

Such remarks come up regularly in the course of diplomacy, and Japan does not intend to respond to each comment, he said.

The G-7 leaders Tuesday welcomed a Russian foreign policy based on the "law and justice"—a phrase often invoked by Yeltsin and Russian negotiators—and called it a basis for normalizing Russian-Japanese relations.

Yeltsin, on leaving Moscow for Munich to meet G-7 leaders after their annual economic summit, expressed annoyance at the statement, saying the territorial dispute is "absolutely a matter between Russia and Japan."

Japan demands the return of four small islands off its northernmost main island of Hokkaido, which were seized by the Soviet Red Army at the end of World War II.

Tokyo has refused to sign a peace treaty with Moscow or provide full financial aid until the dispute over what it calls its "northern territories" is resolved.

Japan hopes to gain Yeltsin's understanding of the G-7 statement in talks with Prime Minister Kiichi Miyazawa after the Munich summit.

The two sides are still working to find a mutually convenient time for the talks, Kato said, dismissing a Japanese newspaper report that Russia had rejected the meeting.

Kato would not say whether he thought the G-7 attention to the territorial dispute would hasten a resolution to the 47-year-old issue during Yeltsin's planned visit to Tokyo in September.

Diplomatic negotiations are never easy, he noted, but said the international backing will be a big help. "There will be many mountain passes we will have to overcome," he said.

Kato: No Military Participation in Yugoslavia

OW0807033892 Tokyo KYODO in English 0317 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—Japan's Constitution does not permit the nation to join possible multinational military action in Yugoslavia to facilitate U.N. relief efforts, a top government spokesman said Wednesday.

"Our country cannot participate in military action. That is clear from our Constitution," Chief Cabinet Secretary Koichi Kato told a regular news conference. Kato said leaders of the Group of Seven (G-7) major industrialized nations used the threat of military force in a joint statement on Yugoslavia on Tuesday to deliver a "strong political message" to those fighting in war-torn Bosnia-Hercegovina.

"The Japanese Government supports the mediation efforts by the European Community and the United Nations," Kato said.

The G-7 leaders said in Munich at their annual meeting "we believe the U.N. Security Council will have to consider other measures, not excluding military means, to achieve its humanitarian objectives" should ongoing relief efforts fail.

Japan's post-war Constitution bans the use of force to resolve international conflict. However, the Diet on June 15 passed legislation permitting military troops to join U.N. peacekeeping activities.

In addition to Japan, the G-7 is joined by the United States, Germany, France, Britain, Italy and Canada.

Chinese Arrested for Alleged Illegal Entry 4 Jul

OW0407140092 Tokyo KYODO in English 1337 GMT 04 Jul 92

[Text] Saga, July 4 KYODO—Nine Chinese men were arrested Saturday evening for alleged illegal entry into Japan by sea in Nagasaki Prefecture on the westernmost main island of Kyushu.

Maritime Safety authorities said they suspect the men, believed to be from Fujian Province in southern China, violated Japan's territorial waters and illegally entered the country about 3:45 P.M. Saturday some five kilometers northwest of Iki, Nagasaki Prefecture.

The men's 60-ton, engine-powered wooden junk was spotted in international waters south of Tsushima Island, Nagasaki Prefecture, Saturday morning and tracked by patrol boats from Maritime Safety offices in Nagasaki and Saga prefectures, said the officials of the 7th Regional Maritime Safety Headquarters, based in Kitakyushu.

The Fukuoka Maritime Safety office will take the men to Fukuoka to question them on their names, their reasons for leaving China, and the route they took, the officials said.

Tokyo Urged To Settle 'Comfort Women' Issue

OW0807083992 Tokyo KYODO in English 0752 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—Several major Japanese dailies said Wednesday that it is time for Japan to earnestly settle the issue relating to Asian women who had been forced to serve as prostitutes for former Japanese Imperial Army soldiers during World War II.

"This is a weighty problem. But we can take responsibility for our past only by facing up to the facts and thinking about the way to atone for them," the ASAHI SHIMBUN said.

"Why does the government use such ambiguous words as 'involvement'?" said the newspaper, referring to the word used to describe the government's connection with the "comfort women" recruitment.

"A reading of the documents makes it unmistakable that the brothels were under virtual control and management of the government," it said. "Should not the government have the grace to frankly admit to that fact?" the ASAHI said.

The government acknowledged Monday that the wartime government and the now defunct army systematically recruited Korean, Chinese, Taiwanese, Philippine, Indonesian, and Japanese women to work in World War II brothels.

The government released the report on the issue based on survey of wartime archives after Prime Minister Kiichi Miyazawa made a promise to do so six months ago.

Researchers have estimated that some 70,000 to 200,000 women were sent to frontline "comfort stations" in Asia. They have also said that the majority of women were of Korean origin.

Casting doubt on the government's released statement that there were no documents indicating that women had been forcibly recruited, the daily said investigations conducted by the government were insufficient.

"The government should make further efforts to look into the question...," it said.

"The question does not simply involve the forced prostitutes. There must be lists and documents that are still kept in private companies showing the forcible recruiting of laborers during the war," the ASAHI said.

"This is the time to squarely face our past blemishes, including those problems," it said.

"The release of the government survey was too late but it was a matter of course," the NIHON KEIZAI SHIMBUN said.

The major financial daily said it is imperative that the government candidly repent the past history and regenerate the trust of neighboring countries.

Japan should not avert its eyes from the reality of the shameful history, the NIHON KEIZAI said.

The daily also called for the government to set up a fund to help the Asian survivors, taking a reference to a relief fund for South Korean atomic-bomb victims.

The MAINICHI SHIMBUN said it believes the government's handling of the problem came too late.

The MAINICHI said Japan has left Asian victims with no means of healing mental scars that they had sustained during the war.

There is dissatisfaction with the results of the government survey among Japanese people as well as among South Koreans, it said.

Cambodian Peacekeeping Mission Makes Report

OW0807114392 Tokyo KYODO in English 1117 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—The head of a government fact-finding mission to Cambodia said Wednesday the team was able to conduct substantial research to lay the groundwork for Japan to join United Nations peacekeeping activities there, government officials said.

Tatsuo Arima, chief councilor for external affairs at the prime minister's office who headed the 15-member team, reported the results to Chief Cabinet Secretary Koichi Kato, the officials said.

The team returned to Japan Wednesday morning after completing a six-day mission to find out what Japan troops can do in Cambodia when Tokyo dispatches them under the new U.N. Peacekeeping Cooperation Law enacted on June 15.

Arima told Kato that the Japanese team visited various places in Cambodia and carried out substantial research, adding that the mission members from seven ministries and agencies will each complete their own reports as soon as possible, the officials said.

Arima's report is expected to be submitted to the government after Prime Minister Kiichi Miyazawa returns to Japan on Friday from the Munich summit of the Group of Seven nations, they said.

The government plans to send a second fact-finding mission composed of experts on the Self-Defense Forces (SDF) to Cambodia as early as August, they said.

In Phnom Penh, the mission members exchanged views on Japan's contribution to Cambodia with Yasushi Akashi, head of the United Nations Transitional Authority in Cambodia (UNTAC), and Prince Norodom Sihanouk, chairman of the Supreme National Council.

Akashi told Arima that UNTAC will officially ask Japan in early August to send SDF personnel to join the U.N. peacekeeping missions in Cambodia.

The team also visited several units of the U.N. peacekeeping mission, including military, police, and election-monitoring units, and conducted inspections by helicopter of a cease-fire surveillance post near the Vietnamese border.

SDP, Rengo Sangiin Eye Political Alliance

OW0707075292 Tokyo KYODO in English 0733 GMT 7 Jul 92

[Text] Tokyo, July 7 KYODO—The nation's largest opposition party, the Social Democratic Party (SDP), and the minor opposition Rengo Sangiin have agreed to discuss a political alliance in the House of Councillors after the forthcoming upper house election, Rengo Sangiin sources said Tuesday.

Rengo Sangiin leader Yasumatsu Hoshikawa and SDP Chairman Makoto Tanabe also agreed to jointly support 23 Rengo-backed candidates in the July 26 election, the sources said.

The campaign for the election will start officially Wednesday.

Rengo Sangiin is an affiliate of Japan's largest labor organization, Rengo—the 8 million-strong Japanese trade union confederation—which also provides support for the SDP and the Democratic Socialist Party.

Hoshikawa and Tanabe also agreed in Tuesday's meeting to understand their parties' respective positions on the United Nations Peacekeeping Cooperation Law, which was enacted June 15 with the backing of the ruling Liberal Democratic Party, Komeito, and the DSP.

The law authorizes Japan to send its Self-Defense Forces (SDF) abroad for the first time since the end of World War II to join United Nations peacekeeping operations.

The only postwar overseas deployment of Japanese troops has been an SDF minesweeping task force sent to the Persian Gulf last year.

Both the SDP and 13-member Rengo Sangiin opposed the law.

The SDP opposes sending SDF personnel abroad, claiming it contravenes the war-renouncing Constitution.

Rengo calls for placing SDF personnel on loan or on temporary leave to join a new peace cooperation team which should be separate from the SDF.

'News Analysis' Previews Upper House Elections

OW0807000192 Tokyo KYODO in English 2320 GMT 7 Jul 92

["News Analysis: LDP Sees 'Magic' 64 Seats Winnable in Upper House Voting"—KYODO headline]

[Text] Tokyo, July 8 KYODO—The bottom line is 64 and Prime Minister Kiichi Miyazawa's Liberal Democratic Party (LDP) is set to go after that number with the start Wednesday of formal campaigning for the July 26 House of Councillors election.

The governing party is desperate to win more than half of the 127 seats at stake in the upcoming election. That means it will have to obtain at least 64, a magic number that former LDP Secretary General Ichiro Ozawa says is already within the reach of the party, while opposition parties are expected to go all-out to stop the conservatives from attaining it.

If the LDP wins that many seats, it will regard it as a victory, even though it will still fall short of an overall majority. The comparison party leaders are making is with its humiliating setback in the previous upper house election held three years ago in the wake of the implementation of the 3 percent consumption tax and stocks-for-favors and sex scandals involving party leaders. Former Prime Minister Noboru Takeshita, whose name came up in the Recruit scandal, resigned as premier before the last election and his successor Sosuke Uno, who was said in a weekly magazine article to have paid a geisha for sex, stepped down after voters gave a combined opposition force a majority in the upper house.

Winning 64 seats in the coming contest, although it would not give back the LDP a majority in the House of Councillors, would enable it to claim it had won the nation's mandate over the enactment last month of a bill allowing troops from the Self-Defense Forces to join U.N. peacekeeping operations.

The outcome of the polls late this month will have no immediate bearing on the future of Miyazawa, who assumed the reins of government in November last year. But political pundits say an LDP triumph would help him stay in office until his two-year term as party president expires next year.

A total of 127 seats—half the 252 seats in the upper chamber chosen every three years and one to be decided in a by-election in Tokyo's neighboring Saitama Prefecture—are at stake in the upcoming election.

The LDP holds 114 upper house seats, of which 75 are up for reelection. Political experts doubt if the party can hold onto all 75, pointing out that the largest number of seats it has ever won in an upper house election is 72.

Winning 64 would give it a total of 103, far short of an overall majority in the chamber. But such a result would allow the party to claim it as an initial step toward restoring its majority in the next election in 1995, according to the experts.

They said an increase in the number of seats for the main opposition Social Democratic Party would signify voter approval of the party's "ox walk," the ultraslow voting tactic it adopted on the floors of both houses of the Diet in its opposition to Japanese military participation in U.N. peacekeeping operations in a country like Cambodia.

An opinion roundup conducted by telephone by KYODO News Service showed that 52.5 percent of those questioned were against the peacekeeping legislation and supporters of the measure totaled 44.1 percent of those responding. It also showed that 70.2 percent of the respondents will take the peacekeeping law into account when they go to the polls.

By the same token, a gain of seats by the opposition parties Komeito and the Democratic Socialist Party would be regarded as approval by voters for their forming an alliance with the LDP in the enactment of the peacekeeping legislation. Likewise, a loss of seats would show voters disapproved of their decision. The SDP has 69 seats going into the election, Komeito 20, and the DSP eight.

Other issues likely to figure in the campaign will be economic measures to boost the sagging Japanese economy and political reforms centering on voter representation in the powerful House of Representatives. Another feature of the election is the mushrooming of miniparties, which put up candidates in hopes of winning seats in the proportional representation system, under which voters choose parties rather than candidates. Fifty of the 127 seats will be decided by proportional representation.

House of Councillors Election Campaign Begins

OW0807005792 Tokyo KYODO in English 0023 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—The 18-day official campaign for the July 26 House of Councillors election officially started Wednesday. The 16th upper house election is the first national poll since Prime Minister Kiichi Miyazawa took office last November.

Registrations of candidacies began at 8:30 A.M. and close at 5 P.M. Wednesday. More than 600 candidates are expected to run for the triennial election.

At stake are 126 seats—half of the 252 upper house members who are completing six-year terms, which occurs every three years—and one seat left by Yoshihiko Tsuchiya, former upper house president who was elected last month as governor of Saitama near Tokyo.

For the 50 seats up for election in the nationwide proportional representation, the ruling Liberal Democratic Party (LDP) has listed 27 candidates and the main opposition Social Democratic Party (SDP) 25. The Japanese Communist Party (JCP) has announced 25 and 17 each has been listed by Komeito and the Democratic Socialist Party (DSP).

Some 40 parties, including the major parties, are expected to field some 380 candidates for the proportional representation. Under the proportional representation system, seats are awarded in proportion to the number of votes cast for a party.

For the 76 seats contested in prefectural electoral districts, some 290 candidates are expected to run, including 55 candidates from the LDP, 18 from the SDP, six from Komeito, 46 from the JCP, three from the DSP, and 22 from Rengo-no Kai, the political arm of the Japanese Trade Union Confederation (Rengo).

The LDP currently has 114 seats, the SDP 6, Komeito 20, the JCP 14, the DSP eight, and Rengo-Sangiin, a parliamentary group affiliated with Rengo, has 13. Of the 114 LDP seats, 75 are up for election. The LDP lost its majority in the upper house three years ago for the first time since 1955. But the ruling party has maintained power due to its majority in the powerful House of Representatives. However, the LDP cannot recover a majority in the upper house even if the 82 LDP candidates were to win.

Seven major political parties issued a statement Wednesday calling for voters' support in the election. The LDP said it wants to stabilize Japanese politics by narrowing a margin of seats between the ruling party and the opposition in the upper house. It also said Japan should shoulder international responsibility commensurate with its power by assisting U.N. peacekeeping operations, revitalizing the world economy and conserving the global environment.

The SDP said it is asking voters to judge whether they approve of the U.N. Peacekeeping Cooperation Law, enacted in the Diet June 15. The SDP, along with the JCP, opposed the law which allows Japan's Self-Defense Forces to join U.N. peacekeeping operations abroad. The LDP, Komeito and the DSP supported the law. Komeito and the DSP called for an end to the single-party rule by the LDP.

The JCP said in a statement, "The collapse of the Soviet Union does not mean the breakup of socialism." The JCP pledged to do its utmost to scrap the U.N. Peacekeeping Cooperation Law.

Party Leaders Make Statements

OW0807063092 Tokyo KYODO in English 0453 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—Leaders of the ruling Liberal Democratic Party (LDP) and opposition parties began the official campaign Wednesday for the July 26 House of Councillors election.

Prime Minister Kiichi Miyazawa, who is attending the summit of the Group of Seven (G-7) major industrialized nations in Munich, issued a statement pledging that Japan's economy will recover from the current slowdown and saying he will improve the quality of life of the people and enhance the nation's contribution to the international community.

LDP Vice President Shin Kanemaru marked the start of the campaign by telling the party faithful at the LDP Headquarters in Tokyo that "we should not allow the Social Democratic Party (SDP) and the Japanese Communist Party (JCP) to come to power."

Kanemaru said, "there is no stable life without political stability." He said the LDP's task for the future should be to "create a society that can coexist with the world."

SDP Chairman Makoto Tanabe, battling to boost the Diet strength of the top opposition party, described the election as a confrontation between his party and the LDP, and said the SDP should aim to win by taking seats from the LDP. Tanabe told some 1,000 supporters in Sapporo, Hokkaido, "We should not overlook the compulsory passage of the U.N. Peacekeeping Cooperation Bill by the LDP, Komeito, and the Democratic Socialist Party (DSP)." He added, "political reform will never be achieved under the Miyazawa cabinet that shoulders the recruit stocks-for-favors scandal."

The bill allowing the government to send members of the Self-Defense Forces overseas to join in U.N. peacekeeping missions cleared the Diet last month, with the LDP being supported by the two centrist opposition parties Komeito and the DSP.

The SDP, the Japanese Communist Party (JCP), and the United Social Democratic Party (USDP) had opposed the bill.

In Nagoya, Komeito Chairman Koshiro Ishida sought understanding for his party's support of the bill. But Ishida, appearing before an audience of 3,000, also said, "People do not want the LDP's one-party rule to continue."

DSP Chairman Keigo Ouchi told 400 supporters in Yokohama that his party has the ability to change Japanese politics. Ouchi accused the LDP of corruption, pointing to a series of scandals, including the Recruit scandal.

JCP leader Tetsuzo Fuwa, started off a stumping campaign in Tokyo, termed the U.N. Peacekeeping Law "illegal and violent."

USDP leader Satsuki Eda asked an audience in Tokyo to judge the law based on Japan's Constitution, which renounces the use or threat of force to settle international disputes.

Other minor parties, including the New Japan Party, recently created by former Kumamoto Governor Morihiro Hosokawa, also plunged into the 18-day official campaign.

Hayami Favors Further Discount Rate Cuts

OW0607103692 Tokyo KYODO in English 1004 GMT 6 Jul 92

[Text] Tokyo, July 6 KYODO—The leader of a Japanese business group said Monday there would be room for the Bank of Japan (BOJ) to lower its official discount rate if necessary as a means of smoothing the way for banks to write off their bad loans.

Masaru Hayami, head of the Japanese Association of Corporate Executives (Keizai Doyukai), made the remarks amid growing calls within the financial community for another official discount rate cut, which bankers say could help reduce their interest burdens since banks are saddled with bad loans.

Hayami became the first business leader, since the BOJ cut the key rate to 3.75 percent per annum on April 1, to say there is room for another discount rate cut.

But Hayami said in a speech at a Tokyo hotel that monetary authorities should use moderation in hammering out additional measures to stimulate the economy so such moves will not ignite a renewed flare-up of the type of asset inflation seen in the late 1980s.

Tax Revenue Figure Shows First Drop in 16 Years

OW0607135692 Tokyo KYODO in English 1134 GMT 6 Jul 92

[Text] Tokyo, July 6 KYODO—The government's tax revenue in fiscal 1991 marked the first year-on-year decline in 16 years, the Finance Ministry said Monday.

The ministry said its tax revenue totaled 59,816.2 billion yen, down 0.5 percent from the preceding year.

Compared with tax revenues estimated when a supplementary budget is compiled, the total represented an increase of 1.4 percent, or 826.2 billion yen over the previous year, the ministry said.

The ministry said net surplus, after funds reserved for local governments are deducted, amounted to 1,495.9 billion yen, up 45.9 percent over the previous year.

The ministry said revenue from corporate taxes decreased 4.9 percent to 16,594 billion yen, while that from the inheritance tax surged 26.3 percent to 2,583.2 billion yen.

Revenue from the self-declared income tax rose 27.2 percent to 7,176.8 billion yen and that from the income tax withheld at source declined 2.6 percent to 19,571 billion yen, it said.

In May this year, the ministry said tax revenue fell 11.4 percent from a year earlier to 1,569.1 billion yen, bringing to 1,713.6 billion yen the total tax revenue for the first two months of fiscal 1992, down 4.0 percent.

The ministry said income tax revenue plunged 11.1 percent to 1,198.2 billion yen.

Reflecting slumping stock prices, revenue from securities transactions tumbled 53.8 percent, while that from stock exchanges fell 11.7 percent, it said.

The inheritance tax doubled to 117.1 billion yen as the number of taxpayers investing tax funds decreased due to declining interest rates, the ministry said.

Official Urges Banks To Lower Lending Rates

OW0707113592 Tokyo KYODO in English 1054 GMT 7 Jul 92

[Text] Tokyo, July 7 KYODO—A top Japanese trade official urged banks Tuesday to cut their lending rates, which he said remain relatively high compared with lower deposit and saving rates.

While interest rates for deposits and savings have fallen in proportion to a series of official discount rate cuts, bank lending rates have not fallen enough, the official of the Ministry of International Trade and Industry (MITI) said on condition of anonymity.

Referring to worsening business confidence amid dull economic activity, the official said there is no need for the central bank to further cut its base rate but said domestic demand must be boosted through active spending on public works projects.

Since July 1990 the Bank of Japan has cut its base rate four times from 6.0 percent to 3.75 percent.

Short-term money rates, especially overnight call rates, remain rather high, despite the lower official discount rate, the official said.

The official also said rescheduling the outstanding debts of the former Soviet Union would not affect the ministry's trade insurance policy for Russia.

Average Rate on New Lending Cut Again in May

OW0707100892 Tokyo KYODO in English 0945 GMT 7 Jul 92

[Text] Tokyo, July 7 KYODO—Japanese banks continued to reduce the interest burden on their customers in May by cutting the average rate on new lending by 0.109 percentage point from April to 5.775 percent, the Bank of Japan said Tuesday.

The drop marked the 15th straight monthly decline.

The average rate on short-term loans, factoring an April reduction of the short-term prime lending rate, fell 0.121 point to 5.698 percent.

That on long-term lending, however, was down a negligible 0.065 point to 6.025 percent, reflecting speculation of a hike in the long-term prime rate since May.

The banks also trimmed their lending rate on outstanding loans by 0.154 point to 5.927 percent, the lowest since February 1990, the central bank said.

Survey: 'Deeper Than Expected' Economic Slump

OW0707132392 Tokyo KYODO in English 1249 GMT 7 Jul 92

[Text] Tokyo, July 7 KYODO—The Ministry of International Trade and Industry said Tuesday its recent business survey showed that the current economic slump is deeper than expected.

Ministry officials said the survey was conducted through interviews with corporate executives from late June to early July.

"The current economic conditions are serious in that production of ultimate demand goods declined from the previous year's level, which was not experienced in the previous two rounds of oil crises," a senior ministry official said.

The survey showed that sales of durable goods suffered a year-on-year decline of more than 10 percent, the ministry said.

Home appliances and heavy-duty electric industries reported the worst sales performance in the past two decades, while automakers reported 13 consecutive months of year-on-year sales declines, it said.

The ministry said the steel industry was forced to cut production for four quarters in a row for the first time since the 1973 oil crisis, while banks were reluctant to provide loans for real estate-related transactions.

The survey showed that it is necessary for the government to take positive fiscal measures, including tax incentives for capital investment, it said.

Mieno Still Watching Effects of Past Rate Cuts

OW0807085892 Tokyo KYODO in English 0835 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—Bank of Japan (BOJ) Governor Yasushi Mieno said Wednesday the central bank is still monitoring the effects of past official discount rate cuts, indicating it will not be lowered again immediately.

He said domestic prices are generally moderate, but monetary policy ought to be considered from an overall point of view.

The discount rate, lowered by 0.75 percentage point April 1, currently stands at 3.75 percent.

Amid easier market lending rates, corporate financing does not seem to be so tight, with the exception of real estate concerns and non-banking credit institutions, Mieno said.

Mieno told a press conference that many corporations are apparently expecting to end their inventory adjustments in the fourth quarter of this year. It is conforming to a view of the central bank, he added.

The central bank chief said signs are mixed, however, regarding the nation's economy, and the strength of economic recovery, while it is beginning to be felt, is likely to be weak.

Last Thursday's U.S. official discount rate cut will not immediately affect Japanese policy, the central bank governor said, adding that the U.S. authorities carried out the rate cut for their own reasons.

In an apparent rebuff to calls from certain circles for an official discount rate cut, Mieno said the central bank does not intend to ease its credit policy aimed at chiefly rescuing financial institutions.

The monetary system and monetary policy should be discussed in relation with substantial economic conditions, he said.

Earlier this week, Masaru Hayami, chief of the Japan Association of Corporate Executives, indicated rates may need to be lowered to save institutions in poor financial health.

Asked what economic contributions Japan can make to the world, the central bank governor said the best thing Japan can do is to achieve inflation-free growth.

This, however, does not mean that contributions or cooperation must be extended even at the sacrifice of the nation's economy, Mieno added.

Mieno's remark, which he stressed was from a general point of view, was made in response to a question referring to the summit currently being held in Munich by the Group of Seven industrialized nations.

With respect to the possible effects of the "minimum standards" for the supervision of international banking groups issued Monday by the Basel Committee on Banking Supervision, Mieno said it will not affect the overseas strategy of Japanese banks.

The committee said the standards are designed to provide greater assurances that in the future no international bank can operate without being subject to effective consolidated supervision.

The central bank chief said Japanese supervision has been conducted in such a context and will continue to be so.

The Basel committee set the minimum standards on supervising cross-border banking business in a bid to prevent a recurrence of scandals such as the Bank of Credit and Commerce International (BCCI) fraud that surfaced last year.

JAL To Suspend Flights to Denmark, India

OW0707092492 Tokyo KYODO in English 0900 GMT 7 Jul 92

[Text] Tokyo, July 7 KYODO—Japan Airlines Co. (JAL) plans to suspend and withdraw from flight services between Tokyo and Copenhagen and New Delhi as part of a plan to reorganize money-losing international routes, industry sources said Tuesday.

Japan's largest airline plans to stop the two international routes in late October and its local offices in Copenhagen and New Delhi will also be closed, the sources said.

JAL's flights from Tokyo to Copenhagen started in 1961 and its flights to India began in 1962.

JAL posted 6 billion yen pretax loss for fiscal 1991 ended March 31 for the first time since the airliner was fully privatized in 1987.

JAL announced in June that the company would cut back on management and review operations of international flight services.

JAL has 106 international flight services, of which some 90 percent suffer operation losses, the sources said.

The Tokyo-Copenhagen route, with two flights a week, operated at only average 55 percent of the total seating capacity in fiscal 1991, because of competition with Scandinavian air systems, they said.

They said the once-weekly Tokyo-New Delhi route, competing for business with Air India and Alitalia, operated at average 53 percent of full capacity in the year.

MITI Welcomes Jujo, Sanyo Paper Firms Merger

OW0807122792 Tokyo KYODO in English 1138 GMT 8 Jul 92

[Text] Tokyo, July 8 KYODO—The Ministry of International Trade and Industry welcomed Wednesday an agreement on the merger between two paper manufacturing companies as conducive to easing excessive competition in the industry.

Jujo Paper Co. and Sanyo-Kokusaku Pulp Co., Japan's third and fifth largest paper manufacturers, announced earlier Wednesday they have agreed to merge next April 1.

Ministry officials said the merger between the two companies will reduce excessive production facilities that have caused fierce competition among paper-pulp manufacturers, resulting in a decline in product prices.

Noting that the merger will produce Japan's largest and the world's sixth largest paper-pulp manufacturing firm, the officials said it will help boost the Japanese industry's international competitive power.

They said the two merging companies will have to clear obstacles under the country's antimonopoly law because the new firm will boost its newsprint market share to 26 percent and its printing paper production share to 28 percent.

TOKYO TIMES Plans To Suspend Publication

OW0407093292 Tokyo KYODO in English 0901 GMT 04 Jul 92

[Text] Tokyo, July 4 KYODO—THE TOKYO TIMES newspaper will suspend publication for some two years from August 1 because of major losses caused by dwindling circulation, its publisher said Saturday.

Yasuyoshi Tokuma, president of Tokyo Times Co., said at a news conference the company plans to resume publication of the tabloid morning newspaper September 1, 1994.

The company, losing 100 million yen a month, has accumulated deficits of 3.6 billion yen, he said. The Tokyo Times group will try to liquidate the debt, he said.

Circulation for the newspaper, inaugurated in 1946, peaked at 360,000 copies but has sunk to 54,000, Tokuma said.

Tokuma said the company failed to develop its sales network, causing the decrease in the paper's circulation.

Remedies for Ailing Industrial Finance Discussed

Overview From Policy Standpoint

922A0247A Tokyo TSUSAN JANARU in Japanese Apr 92 pp 9-13

[Roundtable discussion among Yoshiro Miwa, a professor at Tokyo University; Yasuo Miyauchi, chairman of the Capital Market Subcommittee, Capital Countermeasures Committee, Federation of Economic Organizations; and Kosuke Yamamoto, director general of the Industrial Policy Bureau, Ministry of International Trade and Industry, who moderated the discussion]

[Text] **Recent Trend in Industrial Finance**

[Yamamoto] Although our country's economy has become somewhat weakened of late, I believe that in the long-range view Japan's economy and industries still retain their basic constitutional strengths. But if finance, which can rightly be called as the industry's blood, stops flowing smoothly, chances are there will be all kinds of adverse effects—this is what worries me.

To be more specific, my concern is based on two factors. One is that for the past three to four years companies have actively carried out equity financing in the form of convertible bonds or warrant bonds, but the recent state of stock prices is keeping these bonds from being converted to shares, forcing companies to redeem them. Such redemptions will probably amount to slightly less than 5 trillion yen this year, 10 trillion yen next year, and 5 trillion yen the year after next: In other words, companies will have to bear the heavy burden of having to redeem roughly 20 trillion yen worth of their equity finance. The other is that, as you know, the BIS [Bank for International Settlements] rules will come into effect beginning next March; as a result, the flow of funds from banks, especially the big ones, is already becoming necessarily more restrained than has been in the past.

Meanwhile, our survey of various companies indicates that these companies, mindful of the "labor shortage," have a very strong desire to invest in rationalization and labor-saving schemes as well as in research and development programs; thus, should the factors mentioned above result in insufficient availability of funds, I am afraid there could be problems.

I am also worried about the possibility that companies may be showing signs of more faintheartedness than warranted by the real state of the economy in dealing with their plant and equipment investment programs for the current fiscal year simply because they believe the business outlook is opaque and, in addition, there is uncertainty about what may be in store for industrial finance.

It is with these in mind that today I would like you gentlemen to conduct this discussion by focusing on various aspects of industrial finance—its present condition, the problems facing it, and the future direction to which it ought to be steered. To start off, I want you, Mr. Miyauchi, to tell us your views on, among other things, the recent supply-demand trend for industrial funds as seen from the perspective of the industrial world.

[Miyauchi] The economy as seen from the vantage point of the industrial world is currently in a state of recession, even though there may be some differences in nuance depending on which specific sector we are talking about; in terms of the degree of cooling-off, the actual conditions are worse than expected.

Nevertheless, from the standpoint of enterprises, they must continue to invest in research and development for the future and in labor-saving and rationalization measures to counter structural labor shortages and shorter working hours regardless of whether times are good or bad. Consequently the demand for funds for such investment purposes remains vigorous.

On the other hand, companies are faced not only with greatly diminished funds on hand, but also with a need for funds with which to redeem the vast amounts of equity finance they have undertaken in the past, raising the prospect in my view that industrial funds are in for a considerable squeeze beginning the second half of this year.

Equity financing, which companies have relied on heavily in the past, cannot be counted on for the time being; which leads me to believe that the question of how to invigorate the domestic market for ordinary debentures or otherwise to diversify the means of fund-raising looms as a major issue.

[Yamamoto] What is your view, Mr. Miwa, of the recent trend in industrial finance, especially with respect to the question of whether there will be a tightening of financial positions?

[Miwa] The question is twofold: 1) How much money is in circulation? 2) Where is the money flowing and in what form? The question is not so much whether there is any serious problem with the total volume of available funds; rather, it is that the money which is supposed to flow in a certain direction does not always go that way. The problem, in other words, is the presence here and there of many obstacles that impede the flow of funds, and I do not believe there necessarily is a serious problem with the volume of funds.

Problems in the Financial System

[Yamamoto] You are saying that the system that governs industrial finance is a major problem in and of itself. Recently, however, the Financial System Research Committee and the Securities and Exchange Council [SEC] [both entities are under the Ministry of Finance] have come up with reform proposals that deal with, among other things, the question of turf problems between banking and securities industries. These proposals are now at the center of a major debate. Separately, the Industrial Finance Subcommittee [IFS] of the Industrial Structure Council under the Ministry of International Trade and Industry in November last year made specific recommendations relative to the recent state of industrial finance.

As you, Mr. Miwa, pointed out, there is a problem that, even when the total volume of available funds is sufficient, if the pipe through which the money flows is clogged, the money will not reach the right place in the right form. Although the question of what should be the future relationship between the banking and the securities industries is being debated actively, there is, I am afraid, very little being said about the position of, shall we say, the user side, or the industrial world that utilizes the financial system to raise their funds. I think this point of view was shared by the IFS in making its recommendations. From the standpoint of the industrial world, what aspects of the current system for industrial financing do you think are the most problematic?

[Miyauchi] Although Japan's economy has become so gigantic and so internationalized as we see it today, its financial system is still based on the ground rules of vertical specialization and division of labor that govern the operations of banking, securities, and trust businesses. Perhaps as a result of this, many so-called regulations and practices continue to prevail unchecked; such moves should be either changed for the better or eliminated altogether as soon as possible. The system of specialization and division of labor no longer meets the needs of the present situation.

It is therefore necessary to build a new system as soon as possible and build it with user-friendliness and international transparency and fairness in mind. The way I see it, the recent proposals by the CFSR and SEC dealt with the very question of how to go about building such a new system.

In any event, I believe the point of systemic reform is how to build a market where the market mechanism can really function—in other words, how to build a market where fair competition can take place. From the standpoint of the industrial world, too, if it is to ensure a foundation for long-term development, I think the question of how to build a sound and efficient financial system is a major issue.

At present, as an example of the situations in which fair competition does not seem to be observed, one can cite the new short-term prime rate. This new rate was introduced in January 1989 to replace the old short-term prime rate, which had been set by adding a premium to the official discount rate. Although three years have elapsed since then, the method of determining the new rate still remains a mystery; not only that, all the banks have been acting in concert in setting uniform rates.

It is worth noting that lately some banks have been posting different rates, albeit belatedly; still, city banks continue to apply uniform rates. As long as the borrowing from a bank is a transaction involving two parties, I should think the least the bank should do is to clarify "what computation formula is used to set the new short-term prime rate."

Also, it is about time that the borrower's risk and creditworthiness ought to be taken into account in determining the lending rate. It therefore seems only proper to deregulate the lending rate so that in the future the short-term prime rate is treated as an indicator rate as is in the United States and actual lending rates are determined subject to negotiations between the borrower and the lender.

Another thing is that in Japan the issue commission, the trusteeship/underwriting commission, and the interest payment/redemption commission on bonds and debentures are not only higher than international levels, but are also standardized. When it comes to the commission on stock trading, Japan is the only one among the advanced nations that has a fixed-rate system in place. In the future, when all is said and done, it is imperative for the powers that be to see to it that a financial system is molded with the user convenience foremost in mind.

[Yamamoto] Mr. Miwa, what are your thoughts on the problem areas of the financial system? We have just heard the view advocating further promotion of competition within the financial sector in the interest of turning the system into one that offers the user easy access to funds.

[Miwa] Looking at the financial sector from the outside, frankly I am stuck with a sense of amazement—amazed that this kind of world still exists, that it has served this long. Let me cite four features peculiar to the debate over the question of reforming this sector.

First, fundamentally, "regulation" is the concept foremost in the minds of those debating the issue; therefore, even when an area least regulated is to be deregulated, the question of how to adjust the conflicting interests of various parties concerned becomes a fundamental issue. Second, basically those debating the financial system's reform are not interested in the benefits of the consumer or the user. For instance, nonbanks are not allowed to issue commercial paper. Also, the view that deregulating the commissions on stock trading will hurt the brokers is not only being expressed but also being accepted without compunction. Third, the ways and rules of this sector are extremely opaque. For instance, there is the so-called "three-bank rule," which governs the acceptance of corporate bonds, but it is not clear who makes the rules like this. Also not clear is to whom a petition should be sent if one wants to have this rule changed. Fourth, there are decisions being made which to us seem absurd and senseless. For instance, right now, for all practical purposes, the equity-related issue market is closed but it is not clear who has decided to keep the market closed and why.

Vitalization of the Straight Bond Market Needed

[Yamamoto] Assuming there will be a demand for a stable source of low-cost funds in the days ahead, I am inclined to believe we must somehow see to it that the straight bond market be established on a little more firm footing in Japan. What are your thoughts on this, Mr. Miyauchi?

[Miyauchi] Thus far Japanese corporations have relied too much on equity financing. Consequently, in my view they face a major problem of having to foster and vitalize the domestic market for straight bonds as a stable source of industrial funds in the days ahead. Meanwhile, impeding the vitalization of the market is the limit placed on the amount of bond issue; the limit, therefore, ought to be removed promptly.

In addition, early actions are essential on such matters as reviewing the trustee system and the criteria for eligible bonds, improving the marketability of bonds, deregulating the commission, and augmenting the private offering of bonds. Especially pressing is the question of how to deal with the funding problem of leading small businesses with no access to the public suscription market. There are other problems: For example, a parent firm is barred from guaranteeing private bond issues; a company cannot issue unsecured bonds unless it has net assets worth more than 55 billion yen and a net worth to total capital ratio of 55 percent or higher; and strict restrictions are placed on bond resales. Establishing a user-friendly system for private offering of bonds by relaxing the eligibility criteria and resale restrictions—this, I believe, is a major task ahead for the powers that be.

Meanwhile, I think it is just as imperative for bond issuers to give serious thought to the question of how to make their bonds more attractive.

[Yamamoto] What is your view, Mr. Miwa, on the question of how to encourage more active offerings of straight bonds within Japan?

[Miwa] If I may take the trustee banks as an example, before talking about how high or low their commissions are or should be, the most fundamental question that ought to be debated is what functions are required of such banks. My view is that these banks should be given only such functions as are deemed necessary by the investors and which, in the view of the bond issuer, would facilitate more favorable corporate financing. The question of commissions should be settled after that. The so-called "three-bank rule" should be suspended. The question is how one can bring about the suspension of this rule. One way might be for the would-be bond issuer to make an issue by stating its unwillingness to abide by the rule on grounds that it believes "one bank" would be more than sufficient; then, if it is told that, under such circumstances, it cannot issue the bond, its logical next move would be to take the matter up with the Fair Trade Commission. My feeling is that, before the Legislative Council takes up the question of revising the Law on Corporate Debentures, prompt and separate actions should be taken on matters of this kind. Is it not about time to do so?

[Yamamoto] What is your view, Mr. Miyauchi, regarding the now-prohibited acquisition by corporations of their own shares?

[Miyauchi] The practice of acquiring one's own shares is already being allowed in Europe and the United States; only Japan prohibits it. The reason given for the prohition is that the practice, if allowed, would lend to insider trading, stock-price manipulation, or the hollowing out of the capital, and that, therefore, it should not be allowed from the standpoint of protecting the interests of creditors. But the truth is that this practice has many desirable effects.

For instance, right now companies, shareholders, and investors are all suffering from the crash of stock prices. Acquisition of one's own shares by the companies would serve as one means of easing this pain. It could also reduce the companies' burden relative to dividend payment. Further, it could prove a most reliable way of investing the corporate funds. For these reasons, it is my hope that this practice be allowed as soon as possible.

More Transparency Needed

[Yamamoto] From the standpoint of international congruity, I think it is necessary to promote further deregulation as well as more transparency in Japan's financial sector. How do you feel about this?

[Miwa] We have so much savings in this country and there are so many people who are eager to make use of their savings. The problem is that the marketplace, where these people may engage in financial transactions, is extremely closed in nature, which means that it is essential to make the marketplace more user-friendly. The nationality of those who provide brokerage service at the market is a matter of no consequence. If Japanese brokerage firms cannot do the job, I say let some foreign firms come in that can do a better job. If such a step makes the market more readily accessible, it would be a very good thing for the users and investors, not just of Japan, but of the entire world—a very desirable thing indeed. As things stand now, the priority consideration is given to the interests of those in the brokerage business; as a result, the entire arena, the marketplace, has become user-unfriendly.

[Miyauchi] Unless the Japanese market's user-friendliess, the lack of which is the butt of domestic and foreign criticism, were improved by offering equal opportunities to small and large investments, to private and institutional investors, to the Japanese and foreign nationals, and to residents and nonresidents, investors will end up seeking refuge in foreign markets. I believe this very point is the major focus of the latest move toward a systemic reform.

[Miwa] If I may use an analogy, suppose a child is found drowned in a pool; in its wake, to call for measures to prevent future such drownings would be a noble thing to do. Even so, if the zeal for saving children from drowning went so far as to demanding that the pool be made no deeper than 50 centimeters, all the adults would naturally seek a deeper pool elsewhere. What is important is to establish a clear distinction between a pool for adults and a pool for children. As it is, I think there is a tendency to make the prevention of children's drowning into too much of a focal issue.

[Miyauchi] When "securitization" reaches the point, as it has recently, where leases and credit are being converted into liquid claims, some high-risk claims are bound to appear. Because the world is not without some people who prefer taking risks, it naturally raises the question of higher returns to go with high risks—the so-called "high risk, high return" proposition.

With "securitization" having progressed to the extent it has, naturally it is imperative to promote further transparency of the market by ensuring fuller disclosures and putting a more authoritative rating system firmly in place.

[Miwa] At the risk of sounding rather fustian, let me point out that once a certain field of business was defined early on as the domain belonging to a designated group of suppliers, when technological advances germane to the field have occurred, sometimes those within the designated group may prove not necessarily qualified to meet the new requirements of the business. Let us, for illustration purposes, take the passenger transport business as an example. In the old days stagecoaches were the means of the trade, then came omnibuses, followed by trains and then by airplanes. Had the law governing this field of trade been confounded with the marketplace, the stagecoach operators would have been expected to run the aviation industry. Chances are this more or less is what has happened to our securities business, for example. And I believe this is exactly the kind of situation now confronting Japan's financial sector; thus, viewed in the medium- and long-term perspective, the very question of what should be the blueprint for the financial system ought to be made the focal point of the debate over the systemic reform.

[Miyauchi] As I briefly touched on it earlier, we need to promote the internationality of our financial market, and it is from that standpoint that I believe our systemic reform must pay special attention to the question of making the market more readily accessible to nonresidents.

[Miwa] I have the feeling that things have finally begun to move in the right direction, but I also believe that things need to move a little faster in the days ahead.

[Yamamoto] In any event, for the favorable development of Japan's economy and industry in the days ahead, a crucial question is how smoothly will our industrial finance system work. As you have pointed out in our discussion thus far, Japan has a high rate of savings and plentiful funds. Moreover, the corporate demand for funds remains vigorous. The remaining question is how well we can forge a system that can synthesize all these ingredients—this, I believe, is extremely important. I thank you for all the valuable opinions and suggestions you have provided today.

Perspectives From Corporate Finance

922A0247B Tokyo TSUSAN JANARU in Japanese Apr 92 pp 14-15

[Article by Hisashi Inoue, director of Economic Research Department, Nikko Research Center: "Changing State of Corporate Financial Affairs and Its Impact on Equipment Investment"]

[Text] **Changes in Financial Environment**

Equity Finance Versus Equipment Investment.

During the latest expansionary phase that began in late 1986, vigorous investment in plant and equipment played the biggest leading role. But coming into fiscal year 1991 [which began 1 April 1991], related economic indices began showing signs of deterioration. Orders for machinery and construction work fell below the levels of a year earlier; coincidentally, plant and equipment investment levels (nominal) in GNP terms declined for two consecutive quarters beginning with the April-June 1991 period. Such sluggish rise in equipment investment levels was no doubt due primarily to changes in financial conditions such as heightened pressure for stock adjustment, reflecting declining final demand and deterioration in the corporate fund position. Especially since last fiscal year, the corporate financial balance has been marked by a shortage of long-term funds; as a result, equipment investment is beginning to feel a strong constraint from the standpoint of fund management as well.

In the second half of the 1980's, there was a sharp increase in the amount of low-cost funds raised by means of equity financing stimulated by rising stock prices. The annual total of funds raised through equity financing soared to 26 trillion yen in fiscal 1989 from 4 trillion yen in fiscal 1985. It led to more latitude in the corporate fund position, and the sheer volume of funds available encouraged equipment investment. To put it another way, the shift of venue to equity financing by companies seeking funds, the cost of which was greatly lower than that of borrowing from financial institutions, provided a qualitative (that is, cost) stimulus as well to equipment investment. Invigorated were investments not just in greater production capacities, but also in such other things as research and development, rationalization, and labor savings, with eyes set on a few years down the road.

Liquity Drawdown Goes On

Since fiscal 1990, however, falling stock prices have made equity financing difficult; as a result, shortages of long-term funds have surfaced among business corporations. A review of corporate financial trends as reflected in the "Financial Statements of Incorporated Businesses" (source: Ministry of Finance) reveals that, on the fund operation side, in fiscal 1990 the demand for long-term funds totaled 73 trillion yen, of which 57 trillion yen was for plant and equipment investment and 16 trillion yen for investment lending, including loans to subsidiaries. On the financing side, meanwhile, corporations raised 38 trillion yen from retained profits and depreciation, 4 trillion yen by issuing debentures, and 6 trillion yen through capital increase. Excluding borrowed money, they raised long-term funds totaling 47 trillion yen. In other words, in fiscal 1990 the corporate financial balance was in such a state that the fund requirement for plant and equipment investment could not be met without loans from financial institutions, and the amount of shortfall (10 trillion yen) was the largest ever.

Faced with such fund shortages, in fiscal 1990 corporations had to draw down (by 7 trillion yen) their liquidity mainly in the form of cash and bank deposits. In the first half of fiscal 1991 a further drawdown of 10 trillion yen occurred. Consequently, the liquidity ratio fell to a 1.69 month equivalent in the first half of fiscal 1991 from a 1.89 month equivalent in fiscal 1989. Such drawdowns of liquidity were unprecedented since fiscal 1960, when statistics on liquidity levels were initiated.

Equipment Investment Possibly Facing Serious Adjustment in Fiscal 1992

Impact of Sluggish Stock Market

Should the current sluggishness of stock prices continue, not only would it make new equity financing difficult, but it would also impede the conversion of or the exercise of rights on convertible bonds and warrant bonds, thereby creating the problem of having to redeem the unexercised portions of these bonds. Of the convertible and warrant bonds yet to be converted or exercised as of this time, some 5.5 trillion yen worth will be up for redemption in fiscal 1992 and another batch worth 9.6 trillion yen will come due for redemption in fiscal 1993.

Thus, unless there is an earnest turnaround in stock prices, it seems inevitable that the need for massive redemption of outstanding equities will further depress the corporate fund position. Moreover, apparently included in the current liquidity of corporations are reserve funds for these impending redemptions; also, liquid assets tied up in "tokkin" [specified money trusts] and nonmonetary trust accounts are said to be difficult to draw on because of their latent losses. When these factors are taken into account, the aforementioned liquidity ratio of 1.69 month equivalent for the first half of fiscal 1991 cannot necessarily be considered high in real terms (the liquid-asset lockup phenomenon). Additionally, the likely continuation into the future of banks' cautious lending posture in the face of BIS rules regarding capital-adequacy ratio will probably prove to be another restrictive factor for corporate business activity.

Functional Revival of the Issue Market Desired

Cyclically speaking, too, corporate investment in plant and equipment can be said to be entering a phase of maturity at present. In the manfacturing sector, the ratio of investment in production-flow equipment to capital stock (the I/K ratio) has risen to almost 13 percent, which tops the previous peak (a little less than 10.7 percent for January-March 1985) by a large margin. The actual rate of capacity utilization is showing strong signs of tapering off due to sluggish growth of final demand. This being the situation, there is a strong possibility that the deteriorating corporate fund position as noted earlier will become an additional restrictive factor on plant and equipment investment. Corporations usually make investment decisions based on their assessment of medium-term financial balance and fund positions; it is therefore likely that there will be a growing tendency among corporations to significantly curb their future investment plans. Given this situation, should the current stagnancy in stock prices continue, the equipment investment level for fiscal 1992 could very well register negative growth for the first time in 15 years.

For sure, it is conceivable that banks will reduce their overseas assets in order to accommodate domestic demand for funds. It is also conceivable that life and nonlife insurance firms, which are not bound by the BIS rules, may assume a great role as suppliers of funds. Yet another possibility is that corporations themselves may, while substantially reducing their inventory levels, turn increasingly to such financing means as flotation of straight bonds or direct borrowing from life insurance firms. In any event, it is a safe bet that the cost of corporate funding will become markedly higher than the 1-2 percent that was the going rate during the heyday of equity financing; consequently, investment returns will inevitably grow worse than what they have been in the past.

Considering those anticipated constraints on corporate finances, it is to be hoped that there will be more flexible management of financial policy and that appropriate functions will be restored to the issue market in the days ahead.

Vitalization of Capital Market

922A0247C Tokyo TSUSAN JANAJU in Japanese Apr 92 pp 16-18

[Article by Kanji Kobayashi, managing director of Nihon Life Insurance Company]

[Text] Lately, in Japan, too, public flotation of straight corporate bonds has become a popular undertaking; yet, in the background of this development are such factors as extremely difficult equity financing due to the sluggish stock market and restrained lending by those institutions that are subject to and therefore are trying to meet the BIS-imposed capital-adequacy standards. As such, although public flotation of straight bonds has been on the rise, depending on the future development in financial conditions, the possibility cannot be ruled out that equity financing will come back strong and thereby push the corporate bond mark toward sterilization once again. Meanwhile, as for the long-stagnant stock market, what is urgently needed, it seems, is to devise appropriate measures that will once again make stock attractive to investors. Below, I intend to express, by covering the aforementioned points as comprehensively as possible, some of my personal views on the question of how to bring more vitality to Japan's capital market which is comprised of "debt products" and "equity products."

(Note: "Debt products" are such products as straight bonds, bank debentures, and government bonds that are reckoned as part of the liabilities of the issuing entities; "equity products" are such products as stocks, convertible bonds, and warrant bonds that could lead to an increase in the equity capital of the issuing companies.)

Debt Products

Speaking from the standpoint of debt products, Japan's bond market is somewhat distorted today in its composition in that it has a big bulge consisting only of outstanding public and corporate bonds. Given our country's ongoing strong emphasis on fiscal reconstruction as a matter of policy, it is anticipated for the medium and long terms that the issue volumes of government and other public bonds will gradually decline in the days ahead. Under these circumstances, efforts to diversity debt products are to be desired if various investment institutions are to be able to build balanced portfolios. Which means that there is a great deal of latent need for the diversification and a stable supply of debt products. If there is to be a plentiful circulation of debt products, it is essential for each of the three concerned parties—the issuer, the broker, and the investor—to act responsibly to ensure effective operation of the market for straight bonds, the backbone of the debt product. Much is said about the responsibility of brokers and investors, but I believe that the issuers, too, have a big responsibility to support the market, especially when it comes to energizing the market for public issues of straight bonds. What I mean by this is that, instead of being swayed by the cost factor alone at any given time, the issuing entities ought to continue floating their bonds at the domestic market so that there be a certain level of circulation volume at all times. Otherwise brokers and investors will have nothing to do. After all, it goes without saying that the first and foremost prerequisite is a plentiful supply of merchandise if a market, no matter what kind, is to function as normally as a market should.

As for the public subscription market and the private subscription market, both of which deal with debt products, they need to work hand in hand in order to enhance the overall function of our country's capital market. The difference between these two markets, as understood by the public, is as follows: The public subscription market deals mainly with the "standard products," whereas the private subscription market is where "tailor-made" products can be offered as well. Also, while the public subscription market is geared mainly to general investors and therefore investor protection is strongly called for there, the private subscription market is intended for financial institutions and other professional investors and, as such, it is a market where, as a general rule, all regulations ought to be liberalized. Accentuating the price-formation function and the capital-distribution function of the public subscription market, some hold the view that ideally the capital market should be centered around the public subscription market in which a wide range of investors can participate. But it is the private subscription market that enables the kind of flexible fund raising which cannot be handled at the public subscription market and where innovative products responsive to diverse needs are being developed. A high degree of user-friendliness, simple disclosure rules, uncomplicated flotation formalities—these are some of the money merits that favor the private subscription market. It seems appropriate, therefore, to equate the public and private subscription markets to the "two wheels of a cart." The regulators' mindset favoring public bond issues has led to the extremely restrictive tone of the current domestic rules governing private bond issues; looking ahead, however, it is important to be mindful of promoting a balanced development of the public and private subscription markets by doing two things in tandem: one to rectify the regulations and practices governing the public subscription market, and the other to abolish the mozaic of rules governing private bond issues—the rules related to such things as resale, lot size and frequency of flotation, product marketability, eligibility standards, requirement for setting up a trustee, and limitations placed on how much an agent can buy. Once a private subscription market is established where all financial institutions including life insurance firms and business corporations can act free of multifarious regulations, it seems likely that all kinds of new products will be created there. Accord maximum respect and value to the vitality and creativity of such a market but without neglecting post-monitoring; when new products reach a certain standard or, to put it another way, mature into sort of complete products with fixed forms, gradually diffuse them into the public subscription market—such a market vitalization measure, I believe, ought to be given due consideration.

Meanwhile, the product design for publicly offered straight bonds, which are now being floated in increasing volume, should of course be made a matter of free choice as a rule; however, considering the eventuality that these bonds will be circulating at different places in the days ahead, it is probably necessary to standardize the content of their products to a certain extent. As noted earlier, in order to put the public subscription market at least on the right track soon, the prerequisite seems to be continued flotation in volume of "somewhat standardized publicly offered straight bonds." And for this prerequisite to be met, it would be necessary to take such steps as removing the limits placed on bond issues, relaxing the stipulations restricting the issuer's financial affairs, and lowering the flotation fees so as to create an environment more conducive to continued flotation of bonds by issuing entities. Also, aggressive and efficient application of the system for corporate financial data disclosure and credit ratings—a system which is yet to be perfected in Japan—is another important step that must be reinforced in conjunction with the effort to improve the bond market.

Equity Products

Let us now move on to the subject of equity product. Viewed from the international standpoint, "anomalous" has to be the only word to describe the behavior of Japanese corporations that indulged in financial engineering schemes by using the funds raised almost free of cost through the massive equity financing undertaken in our country during the second half of the 1980's. In the future, so that their ways of raising and utilizing funds be not viewed as incoherent by foreign countries, Japanese corporations throughout the entire industrial sector will surely come under pressure to conduct themselves on the basis of fund-raising cost which is at least similar to what is borne by foreign companies.

There are several other aspects of Japan's stock market that are anomalous from the international standpoint, and steady efforts must be made to remedy them. In fiscal 1990, the rate of return on shareholders' capital fell to 6.87 percent, matching the level registered in fiscal 1975 in the wake of the first oil shock; for the same period, the rate of dividend on shareholders' capital fell even lower, to 2.08 percent. These trends seem attributable to the expansion of shareholders' capital over and beyond the growth of corporate profits, which resulted from the excessive equity financing and unduly large retained profit of recent years. It is on the basis of this situation that the life insurance industry has been consistently calling for the following measures: to establish a dividend practice appropriate for the era of capital increase through direct financing and bond flotation at market price; to raise the rate of dividend on shareholders' capital; to implement systematic stock splits; to undertake orderly equity financing; and to disclose a concrete dividend policy. Yet there have been no signs thus far of any pronounced improvement in these areas.

If I may speak frankly from the standpoint a life insurance company, which is a financial intermediary institution that invests insurance premiums collected from policyholders and returns nearly 100 percent of the investment gains to policyholders in the form of dividends, in order to maintain and improve its investment yields under the current level of stock dividends, a life insurance company is now being forced to pay ever closer attention to the payability of its investment and to scrutinize portfolio management of its stock holdings more than ever. If the stock market is to be energized, the issuing entities, too, will necessarily have to be sufficiently mindful of the need to make dividend returns to shareholders more substantial. My earnest hope is that the issuing entities will adopt the basic concept that the total cost of fund-raising, whether through equity products or debt products, will in the long run have to be not only in the same range but also congruous with international standards.

Balance Desired

In Japan, through the postwar period of high economic growth, there has been a steady domestic accumulation of funds. Viewed from the national economic standpoint, an effective fund operation is extremely important even as a policy matter for Japan, which faces imminent arrival of an aging society, and in order to facilitate effective utilization of the accumulated funds it is fundamentally desirable that there always be a balanced supply of equity products and debt products on the market to allow investors free choice at their discretion. Incidentally, in countries of the West well ahead in capital accumulation, the utilization in appropriate combinations of equity and debt products is a common practice. But in today's Japan, it is difficult to say that there is an active market either for equity products or for debt products. Which, I believe, is due in part to the fact that all the rules and practices governing the financial and capital markets have not yet been sufficiently reviewed. Further, as for my personal suggestions regarding the ways to vitalize the capital market and to relax regulations, I think it is necessary to treat them not separately but as a package as much as possible so that the overall implementation can be done in a coordinated manner. Doing so, I believe, will prove to be a shortcut to the course correction that will put the capital market on the right track.

Bond Market Reform

922A9247D Tokyo TSUSAN JANARU in Japanese Apr 92 pp 19-21

[Article by Hiroshi Kashiwara, an economic reporter for the NIHON KEIZAI SHIMBUN: "Corporate Bond Market in Tumult"]

[Text] In 1991, a violent diastrophism hit the capital market; what happened then was enough to justify calling 1991 as the first year of corporate bond reform. Concerned about slumping stock prices and suppressed lending by banks, business firms revamped their fund procurement strategy that had relied too heavily on equity financing, which was even touted as the "modern alchemy," and began to turn increasingly to straight bonds as a means for raising funds. Banks and security firms, too, showed great interest in reorganizing the market; as a result, the long-forgotten straight bond market seemed to come alive out of a state of hibernation. In the background were such concerned authorities as the Ministry of Finance, the Ministry of International Trade and Industry [MITI], and the Fair Trade Commission, all aiming to rationalize the capital market; they were prodding the banking and securities industries to reexamine their opaque market practices.

Farsighted Maneuvering by Finance Ministry

"Discount sales of industrial bonds (straight bonds) have been going on conspicuously. Should this practice continue, punitive actions may be taken against the offenders based on the ministerial ordinance concerning the 'soundness' doctrine."—This was a verbal warning issued on 11 April 1991 by the Securities Bureau of the Ministry of Finance to six securities firms—Nomura, Daiwa, Nikko, Yamaichi, Nippon Kangyo Kakumaru, and New Japan.

The ministerial ordinance concerning the "soundness" doctrine is based on Article 54 (which deals with preventive supervisory directives to securities firms) of the Securities and Exchange Law; it prohibits securities firms from presenting singularly inappropriate terms in order to put themselves in a position of advantage in underwriting stocks and bonds. The underwriting commission for corporate bonds issued by electric power companies about that time [April 1991] was 1.60 yen for every 100 yen of the amount of issue. In some cases, however, the bond price fell by nearly 2 yen immediately after the issue went on sale; as a result, "acceptance of orders at a loss" became a semi-chronic event for securities firms. Meanwhile, investors buying the bonds at issue prices immediately ended up with "latent losses." This led to criticism by some that securities firms were "providing profits to the issuing entities at the sacrifice of the investor's interests" (criticism by the Bank of Japan).

Those securities firms summoned by the Ministry of Finance promised to rectify the situation, but it turned out to be an extremely painful exercise for the securities industry as a whole. Already, for some time, business firms had been critical of "the relatively high cost of flotation at the domestic market." So, if securities firms were to set the terms of flotation in line with the prevailing market trend, it was a foregone conclusion that there be "a grand chorus demanding for lower commissions" (words of an executive of a major securities firm). Which was precisely what the ministry wanted to see happen when it issued the warning to the securities firms. On the heels of the ministry's guidance, as expected, Tokyo Electric Power Company demanded Nomura Securities to lower its underwriting commission, thereby ushering in a reform of the corporate bond market with a review of the rate of commission as an opening act.

Issuer-Led Reform

Subsequently, a scandal that shook the economic world was exposed—a scandal involving payments made by securities firms to major clients to compensate for their investment losses, which added fuel to the criticism of the oligopolistic control of the capital market by four securities firms and of the fixed rate of commission they were charging; all this brought a drastic change to the environment surrounding the securities industry. Using the loss-compensation scandal as the turning point, electric power companies launched "power plays" such as excluding major securities firms from being designated as principal managing underwriters of their bonds. Securities firms that had been reluctant to lower their commissions were thus forced to come to grips with the capital market reform drive: in August 1991, they lowered the underwriting commission from 1.60 yen (for 12-year bonds) for every 100 yen to 1.40 yen, followed by a further cut to 1.20 yen in November.

Also in November 1991, Tokyo Electric Power Company raised the proportion of its bond issue to be underwritten by the principal managing securities firm from the usual 30 percent to nearly 40 percent; this was a move designed to make it difficult for the principal managing underwriter to set such terms of flotation that were out of line with the prevailing trend of the circulation market and therefore could lead to a price collapse. Then in December, NTT [Nippon Telegraph and Telephone Corporation] negotiated an agreement with Morgan Stanley Securities and Nomura Securities to cut the underwriting commissions by nearly half but, on the other hand, to introduce for the first time in Japan a fixed-price sales system under which bonds could only be sold at the issue price for a designated period of time. With these initiatives, issuer-led market reforms made headway.

Under the oligopolistic control of the market by the four majors, semimajors and smaller securities firms had no chance of being appointed as principal managing underwriters meriting larger commissions; they therefore tended to prefer dealing in stocks rather than selling straight bonds with a narrow margin of profit. This attitude of theirs further spurred on the oligopolistic control of the corporate bond market by the four majors; however, since last summer the door has opened for semimajors such as Nippon Kangyo Kakumaru and New Japan Securities to become principal managing underwriters. Because of the sluggish stock prices, all securities firms have begun making the effort to develop clients for such fixed-interest products as government bonds and straight bonds; this is helping to create an environment more conducive to stable absorption of corporate bonds.

MITI's Offensive

There is another kind of brokerage related to bond issues which cannot be ignored: it is the trusteeship-related commissions.

According to survey data published in April 1991 by the Association of Underwriters of Public and Corporate Bonds, a 10 billion yen issue of seven-year unsecured, no-guarantee straight bonds (AA rating) would require underwriting commission of 150 million yen domestically, which would be 0.8 times the amount required at Euro markets. In contrast, the trusteeship commission for the same issue would be 53 million yen domestically, or 15.5 times the amount at Euro markets; likewise, the bond servicing commission for the same issue would be 51 million yen domestically, or 15 times the amount at Euro markets. Coming through clearly from the above data is how comparatively expensive the trusteeship-related commissions are—the commissions the trustee banks collect from bond issuers.

The MITI has conducted intensive surveys of the trusteeship's problems as typified by the problem of commissions. In November 1991, for instance, the MITI finished compiling the results of a survey, conducted by the questionnaire method, of the business firms that had floated Euro bonds regarding straight bonds. A trustee bank performs a broad range of functions: it gives advices to the issuer to begin with, and then prepares the contract, handles the servicing of bonds, watches over the details of the issuer's financial affairs, and manages the collaterals. But according to the MITI's survey results, there is a solid feeling among the issuers that "the commission is too high relative to the substance of the role or trustee bank plays." No less than 60 percent of the respondents expressed the view that "trustee banks were meddling too much" in their affairs, but none cited "the formulation of the criteria for eligible bond and of the caveat for financial affairs" as a function of the trustee bank. As high as 80 percent of the respondents expressed the desire for "an early removal of the issue limits placed on bonds." In addition, many respondents clamored for product diversification measures such as lifting the ban on short- and medium-term debentures and variable-interest bonds, the flotation of which is being restricted in reality on grounds that they conflict with bank products.

In the face of these expressed wishes of the issuers, the Industrial Bank of Japan and other trustee banks, citing the fact that the Legislative Council [under the Ministry of Justice] is in the midst of an overall review of the corporate bond system, reacted passively saying that they "cannot go into a detailed study of the issuers' demands until the Legislative Council comes up with its conclusions." On the question concerning the commissions involving them, the trustee banks refuted by saying that they were "lowering the commissions as much as possible by weighing the administrative costs of the services they render."

For sure Mitsui Taiyo Kobe Bank lowered its commissions, beginning with the July 1991 bond issues, by 50 percent for interest servicing and by 33 percent for principal amortization. But the effect of these cuts, when computed in terms of the issue cost, was not even 0.03 percent a year. MITI is pushing for early reform, pointing out that, among the items requested by business firms in the survey, "quite a few can be implemented without having to change the laws." A subcommittee of the Industrial Structure Council [under MITI], too, has prepared a set of emergency recommendations calling for 1) lowering the commissions, 2) making the terms of issue, such as the caveat on financial affairs, more flexible, 3) diversification of products, and 4) removal of the regulation on issue limit.

What prompted MITI to come to grips with the question of reforming the straight bond market was an interim report prepared in June 1991 by the Industrial Finance Subcommittee of the Industrial Structure Council, urging business firms to correct their dependence on equity financing and to diversify their way of raising funds. It was this subcommittee that had made an early start on analyzing the bear market-induced problem that would force a massive redemption of the instruments used for equity financing: its analysis showed, for example, that even if the Nikkei stock average rebounded to the 30,000 yen level, more than 6 trillion yen worth of unexercised warrant bonds and convertible debentures would be due for redemption in 1993. It was also this subcommittee that had focused on the straight bond market as a potentially stable venue for raising funds for long-term investment in plant and equipment while banks are suppressing their lending under the constraint of the BIS rules on capital adequacy.

Fair Trade Commission's Watchful Eye on Commissions

The Fair Trade Commission, which in early spring of 1991 formed a research group made up of individuals of learning and experience well versed in financial affairs and was having this group study the question of how the policy of competition should be properly applied to the financial and capital markets, played a big role in reforming the corporate bond market. On the subject of commissions on corporate bonds, in his testimony at the Diet in September 1991 the commission's chairman Setsuo Umezawa declared, "If securities firms fix the commissions by mutual consent, it is an act of a cartel itself"; with such remarks, he showed his strong interest in the actual state of the market.

The Fair Trade Commission received from MITI certain data it had independently collected and analyzed. About October 1991, using the MITI-provided data and the substance of debate held by its own research group as background materials, the commission launched a hearing on the affairs of major trustee banks such as the Industrial Bank of Japan and Mitsui Taiyo-Kobe Bank.

During the hearing, asked about the reason for the "in line" uniformity of the trusteeship commissions on corporate bonds, the bank side explained, "Bonds are usually accepted by a plural number of banks (two or three), and this inevitably leads to uniform commissions." Unsatisfied, the commission went after the banks with probing remarks and questions: "Depending on the type and amount of the bond, a single, not plural, bank ought to be able to perform the trusteeship without difficulty." "Commissions should be decided on a case-by-case basis; yet, the banks have a table of commission rates, prepared in the matrix mode based on the issuer's credit ratings and reliability and the amount of issue, and are using this table as a basis for exchanging information with one another. Is this not the cause of the uniform commissions?"

The Fair Trade Commission reportedly had acquired, through its investigation of seven banks including the Industrial Bank of Japan, conclusive evidence that the executives of the Industrial Bank of Japan, the biggest of all trustee banks, had shown the commission rates table to representatives of other banks and obtained their tacit consent before adopting revised rates of trusteeship commissions (initial) on two occasions—in April 1989 and again in April 1991.

Upon learning the investigation by the Fair Trade Commission, the Banking Bureau of the Ministry of Finance urged the executives of Mitsui Taiyo Kobe Bank and other major trustee banks to act quickly to do away with the system of uniform commissions based on a matrix formula. On 25 November 1991, Mitsui Taiyo Kobe Bank announced a reduction by some 30 percent of its trusteeship commissions and the decision to disuse the matrix on commission rates. The following day, the Industrial Bank of Japan, too, decided to disuse the matrix. It was not until the middle of December that the Fair Trade Commission, although somewhat overtaken by the events, finally summoned executives of the seven major trustee banks and issued a stern warning not to exchange information with one another regarding commission rates and requested them to publicly state that they would keep the promise to abide by the warning. Kenichi Suematsu, president of the Mitsui Taiyo Kobe Bank, held a press conference in his other capacity as chairman of the Federation of Bankers Associations of Japan; saying "Banks tend to fall in line with one another, which makes them prone to the criticism for being opaque," he expressed his intention to study the question of how the banks should handle themselves in order not to violate the spirit of the policy of competition.

In trying to improve the financial and capital markets, the most essential factor to consider should be the user's viewpoint. The question of what the commissions and the trusteeship system should be must necessarily be reexamined with the interests of the "users," not the interests of "intermediaries" such as the banks and securities firms, as a matter of the highest priority. Even the problem that is currently tormenting the industrial world—the necessity for a massive redemption of the past equity financing, if traced to its origin, is partly the consequence of the pursuit of "excessive profits" for themselves by the banks and securities firm who, notwithstanding their proper station as the intermediaries for those who procure and invest funds, grabbed the leading roles under the bubble economy. If the corporate bond market is to be molded into a venue not only readily accessible to those who need to raise funds, but also attractive to investors, I believe it is necessary to keep it under continued and appropriate supervision, as other markets are, by those government authorities who are the guardians of the policy of competition.

Official: Tokyo To Stay in Whaling Commission

OW0607033292 Tokyo KYODO in English 0323 GMT 06 Jul 92

[Text] Tokyo, July 6 KYODO—Japan will not withdraw from the International Whaling Commission (IWC) over the body's continued restrictions on Japan's commercial whaling industry, a government source said Monday.

The source was commenting on a suggestion from Kazuo Shima, deputy director general of the fisheries agency, in a closing speech at the IWC annual meeting in Glasgow, Britain, on Friday that Japan might withdraw if the body continued its "unfair" management system.

The source said Japan must first collate scientific data to support its case.

"For instance, if we leave the Minke whale, whose numbers are growing, alone, then the natural order will be inadvertently upset," the source said.

"We have to explain that," he said.

On Friday, Shima told the IWC its management system is "politically biased and extremely unfair," and that if the system continues, it could fuel growing demand in the Diet for Japan to withdraw.

During the meeting, Iceland announced it would withdraw from the IWC and Norway disclosed unilateral plans to resume commercial whaling in 1993.

North Korea

Cambodian Delegation Led by Chea Sim Arrives

SK0707224092 Pyongyang KCNA in English 1517 GMT 7 Jul 92

[Text] Pyongyang July 7 (KCNA)—A high-ranking delegation of the People's Party of Cambodia led by Chea Sim, chairman of the party Central Committee [C.C.]and president of the National Assembly, arrived here today.

Among the delegation members are Chea Soth and Vice-president of the National Assembly Math Ly who are permanent members of the party Central Committee, and Vice-chairman and Director of the cabinet of the Council of Ministers Kong Sam-ol and Minister of Public Health Yim Chhay Ly who are members of the party Central Committee, director of the cabinet of the party Central Committee and Vice- minister of Interior Sok An, chairman of the commission of the external Relations of the party Yos Son who is also member of its Central Committee, vice-chairman of the Phnom Penh city committee of the party and first vice-chairman of the Phnom Penh city People's Committee Hok Lundi and Vice-minister of Foreign Affairs Ung Sien.

Present at the airport to meet the delegation were Yi Chong-ok, Politburo member of the C.C., the Workers' Party of Korea [WPK] and vice-president, Kang Hyon-su, chief secretary of the Pyongyang municipal party committee, Chi Chae-yong, vice-director of a department of the WPK Central Committee, Cho Kyu-il, vice-minister of foreign affairs, and others.

WPK Hosts Banquet

SK0807061692 Pyongyang KCNA in English 0419 GMT 8 Jul 92

[Text] Pyongyang July 8 (KCNA)—The Central Committee of the workers' party of Korea [WPK] arranged a banquet at the Mansudae Assembly Hall Tuesday evening for the high-level delegation of the People's Party of Cambodia on a visit to Korea.

Present on invitation were the members of the delegation led by his excellency Chea Sim, chairman of the Central Committee of the People's Party of Cambodia and president of the National Assembly.

Yi Chong-ok, member of the Political Bureau of the Central Committee of the Workers' Party of Korea and vice-president, addressed the banquet.

He noted that a new phase has been opened in the developments in Cambodia in recent years by the energetic activities of esteemed his royal highness Samdech Norodom Sihanouk and common efforts of the people's party of Cambodia and other factions.

The people's party of Cambodia, he said, is making a great contribution to the efforts to achieve the political stability of the country and peace and national unity and build a new independent, neutral and self-reliant Cambodia in keeping with the desire and demand of the Cambodian people.

We highly estimate such activities and achievements of your party and will invariably support the just cause of the Cambodian people for national reconciliation and unity and the reconstruction of the country in the future, too, he declared.

Speaking next, his excellency Chea Sim said:

Through our current visit, we will deeply acquaint ourselves with the brilliant achievements made by the Korean people in the struggle to build and defend the Democratic People's Republic of Korea through the application of the Great chuche idea and reunify the country under the wise guidance of his excellency Generalissimo Kim Il-song, the most respected leader. We greatly rejoice over this.

The state of Cambodia notes with high appreciation that the DPRK, firmly committed to its external policy based on peace, friendship and non-alignment, is constantly enhancing its international prestige and making a positive contribution to peace in Asia and the rest of the world.

The People's Party of Combodia and the government of the State of Cambodia will make every possible effort to unite all the political forces around his royal highness Samdech Norodom Sihanouk, terminate conflicts and build an Ankor homeland, the speaker said, and stressed:

We are deeply pleased with the fact that his excellency Generalissimo Kim Il-song, the great leader of the Korean people, and his excellency Marshal Kim Chong-il, the dear leader of the Korean people, have provided an opportunity to exchange views on important matters of newly developing the relations between the two countries in various forms without any hitch in keeping with the interests of the two peoples and with world peace, security and cooperation.

Officials, Delegation Hold Talks

SK0807071592 Pyongyang KCNA in English 0435 GMT 8 Jul 92

[Text] Pyongyang July 8 (KCNA)—Talks took place at the Mansudae Assembly Hall Tuesday [7 July] between a delegation of the Workers' Party of Korea [WPK] and a high-level delegation of the People's Party of Cambodia.

Present at the talks on the Korean side were Yi Chong-ok, Politburo member of the WPK Central Committee [C.C.] and vice-president; Chong Song-nam, minister of external economic affairs; Chi Chae-yong, vice-director of a department of the C.C., the WPK; Chong Yong-yong, secretary of the Pyongyang municipal committee of the WPK; Kim Hyong-yul, Korean ambassador to the Supreme National Council (SNC) of Cambodia; and other officials concerned.

Present on the opposite side were Chea Sim, chairman of the C.C., the People's Party of Cambodia and president of the National Assembly; Chea Soth and Vice-President of the National Assembly Math Ly who are permanent members of the party Central Committee; Vice-Chairman and Director of the Cabinet of the Council of Ministers Kong Sam Ol and Minister of Public Health Yim Chhayly who are members of the party Central Committee, Director of the Cabinet of the party Central Committee and Vice-Minister of Interior Sok An, Chairman of the Commission of the External Relations of the party and member of its Central Committee Yos Son, Vice-Chairman of the Phnom Penh city committee of the party and First Vice-Chairman of the Phnom Penh city People's Committee Hok Lundi, Vice-Minister of Foreign Affairs Ung Sien, and other members of the delegation.

The talks proceeded in a friendly atmosphere.

Party Members Urged To Serve People Faithfully

SK0607122292 Pyongyang Korean Central Broadcasting Network in Korean 0007 GMT 1 Jul 92

[NODONG SINMUN 1 July editorial: "Let Us Serve the People More Faithfully"]

[Text] Our party has consistently emphasized the thorough implementation of the slogan on serving the people.

Dear leader Comrade Kim Chong-il has indicated: We should have functionaries, party members, and workers display the revolutionary trait of devotedly waging the struggle for the people.

It is an essential demand of socialism of our own style, in which the politics of genuine humanity and benevolence [chinjonghan indogui chongchi] are implemented, to serve the people devotedly.

Socialism of our own style results in a superior society where the popular masses became the masters and everything serves the people. When all functionaries devotedly serve the popular masses according to the wish of the respected leader [suryong], who is implementing the most excellent politics of humanity and benevolence, socialism of our own style will make a better people's paradise.

Under the system of popular mass-centered socialism of our own style, serving the people devotedly is most important, honorable, and valuable work.

Serving the people with devotion is noble work for more satisfactorily upholding the lofty intentions of our party, the motherly party. The highest duty of the functionaries who have been fostered in the bosom of our party—the motherly party—is to serve the people. Nothing is more precious than this.

Our party is responsibly leading the people's destiny and heartily looking after their work and lives. The party's love and benevolence in making the people's lives richer becomes warmer with each passing day. Our party is constantly waging the magnificent operation to provide the workers with modern houses. Through this single example, we can keenly realize the lofty guiding outlook of our party as a great public servant of the people.

Our party has praised our people as truly outstanding people who are vigorously advancing along the single road of socialism of our own style, and it stresses that one should serve them better.

The dear leader Comrade Kim Chong-il has recently and warmly taught that functionaries should keenly realize that they are the servants and have responsibility for the people's lives, and they should follow and learn from Comrade Chong Chun-sil's example. Thus, they should become genuine loyalists and dutiful sons who actively struggle to resolve the problems, as the party desires, and to upgrade the people's living standard.

In order for functionaries to become dedicated servants of the people, they should above all become genuine loyalists and dutiful sons who uphold the lofty intentions of the party and the leader in order to serve the people better and who can put these intentions into practice. The ardent passion of loyalty to the party and the leader is a basic source for generating the spirit of dedicated service to the people.

The great leader Comrade Kim Il-song is making every effort to resolve the question of our people's food, clothing, and housing more satisfactorily. When we keenly realize his great benevolence and when we are resolved to repay it, we can more highly display the fine custom of devoted service to the people.

The great leader Comrade Kim Il-song rejoices most when the work for the people is accomplished satisfactorily and when the people are happy. Devotedly working for the people means giving joy and satisfaction to the great leader and means guaranteeing the leader's good health and longevity.

By working devotedly for the people, all functionaries should carry out their work to the end by dedicating everything under any conditions so that they can submit a report of loyalty to the party and the leader. Thus, they should become faithful revolutionaries who find their happiness and pride in their devoted work.

The imperialists are frantically waging antisocialist and antirepublic maneuvers. Under these circumstances, our functionaries should vigorously accelerate the socialist construction by upholding the intentions of the party and the leader. At the same time, they should organize and carry out the work to serve the people better by effectively utilizing all potential.

It is also important for functionaries, while faithfully serving the people, to firmly establish the outlook on being the servants of the people and to think and work according to this outlook.

Whether they are functionaries in higher or lower organizations and whether they are functionaries of party and government organizations or economic organizations, our functionaries all serve the people.

All functionaries should keenly realize that unless they serve the people they cannot think of their existence and mission as commanders of the revolution. They should always think of the people first and dedicate all of their thoughts and action to defending and ensuring the people's interest and lives more satisfactorily.

In better serving the people it is particularly important for the functionaries of lower units, who work and live with the workers every day and every hour, to play their role of servants of the people responsibly.

The party's great benevolence and benefits are constantly directed at the people and are to be realized through functionaries at the lowest echelons. Functionaries of all organizations, including party and government organizations, are assigned the task of looking after the people's lives directly and responsibly.

Functionaries in lower echelons, including cities, counties, plants, enterprises, ri, and tongs, should always keenly realize the party's intention of better care for the people's lives and should responsibly carry out their assigned missions under any conditions and any circumstances.

All functionaries should deeply keep in mind the great leader Comrade Kim Il-song's teaching to the commanders of anti-Japanese guerrilla units that even when the commanders might be warm and have a full stomach, their fighters can be cold and hungry, and that they should take care of their fighters with warmth. All functionaries should share joy and sorrow with the people and should responsibly look after their lives.

It is important for party members and workers in areas that are directly linked to the people's lives to enhance their roles as servants in order to serve the people better.

Under the popular masses-centered socialism of our own style, various forms of state policies are implemented to provide the people with excellent living conditions in all ways, including food, clothing, housing, education, and medical treatment.

Under this condition, how to better ensure the people's living depends on how responsibly the functionaries and workers of relevant domains, including light industry, commercial service, traffic and transportation, and public health, carry out their assigned duties.

Functionaries and workers in relevant areas should keenly realize that in our society, completing the assigned revolutionary tasks satisfactorily is the very valuable work of dedication to the party and the people. They should faithfully and responsibly carry out the duties assigned to them.

All functionaries and workers should more highly display the noble fine custom of dedicating themselves to their society, groups, and revolutionary comrades voluntarily, not at someone else's instruction, and should do more good works.

In order to serve the people devotedly, one should follow and learn from Comrade Chong Chun-sil's example continuously, persistently, and substantively.

Comrade Chong Chun-sil is a genuine example to inspire the functionaries and workers to better serve the people with loyalty and filial piety by upholding the intentions of the party and the leader. Functionaries and workers in relevant areas should further deepen the Chong Chun-sil movement touched off by our party by keenly realizing its great significance.

Party organizations should concretely understand the status in which this movement was pushed ahead and should work out precise measures for substantively carrying out the existing goals and resolutions so that this movement can prove its worth.

By highly displaying the revolutionary outlook on the struggle by dedicating everything to the people, let us all more highly demonstrate the superiority of the popular mass-centered socialism of our own style.

South Korea

Red Cross Delegations Meet in Panmunjom

SK0807025492 Seoul KBS-1 Radio Network in Korean 0200 GMT 8 Jul 92

[Text] At the fourth Red Cross delegation contact today in the conference room of the Neutral Nations Supervisory Commission at Panmunjom, South and North Korea are now discussing working issues on the exchange of home-visiting parents of separated families and of art troupes.

At today's contact, our side called for adopting an agreement by concluding the discussion on the working issues by 15 July so that the exchange of home-visiting groups can be realized on 15 August as previously agreed. Also, our side is repeatedly calling on the North side to agree to listing 200 candidates for the home-visiting groups and to allow them to pay homage to their ancestral graves and to visit their relatives at home. As for the North side's demand that criminals be excluded from the home-visiting groups, our side refused to agree on the grounds that those who have already completed their jail terms or whose charges are no longer valid cannot be excluded arbitrarily.

Unification Minister on Separated Families Issue

SK0807071192 Seoul KBS-1 Television Network in Korean 1200 GMT 7 Jul 92

[Interview with ROK Vice Prime Minister and Unification Board Minister Choe Yong-chol by KBS-1 Television reporter Pak Tae-sok in Seoul, 7 July—recorded]

[Text] [Pak Tae-sok] On the fourth anniversary of the announcement of President No Tae-u's 7 July special declaration for national self-respect, reunification, and prosperity, the government today proposed to North Korea that the two countries more practically discuss the basic question for national reconciliation: humanitarianism between the North and the South. We will listen to the government side's comments on the background of the proposal. Vice Prime Minister and Unification Board Minister Choe Yong-chol, how are you? Would you tell us first the background of the overture that separated family members be allowed to live where they want?

[Choe Yong-chol] The most important point of the 7 July declaration was to change North-South relations from the protracted hostile relations to relations of partnership. We have consistently put this 7 July declaration into practice, and as a result, we have ahcieved great successes. As our people know, the 1988 Seoul Olympics were held successfully, diplomatic relations have been established with East European countries and the Soviet Union, and our trade mission has been established in China. Thus, favorable international circumstances have been created. Moreover, in North- South relations the era of reconiciliation and cooperation has opened with the adoption and effectuation of the North-South basic agreement and the declaration of denuclearization.

We have made practical efforts to realize North-South reconciliation and cooperation. As a result, we have achieved economic exchanges of approximately $350 million, and more than 1,000 people have exchanged visits between the North and the South in the past four years. Despite such exchanges, however, only the question of separated families' mutual visits and reunions remains unsettled. We therefore believe we should further step up our efforts to solve this question. In other words, we should realize these projects this time without fail by establishing family meeting rooms at Panmunjom. We should also at least allow elderly separated family members and those who were forced to live apart from their wives and children to meet and live with their family members if they so desire. Thus, we should give them the opportunity to live with their separated family members. This is the background of the proposal that we are putting forward.

[Pak] Today the government also proposed discussing the question of returning those former North Korean guerrillas and espionage agents who have served out their prison terms, including those prisoners who have refused to renounce communism. How do you predict the North will react to this proposal?

[Choe] I think it is wrong to predict the North's reaction to the proposal. What our government expects is that the North side should accept it without fail.

[Pak] It is true that the announcement of the 7 July declaration four years ago opened a path toward reunification. However, the most pressing and basic question of how to resolve the issue of separated families remains unsolved, as you mentioned earlier. What do you think the North and the South should do in the future to open the chapater of national reconciliation and reunification?

[Choe] First, a common measure should be established between the North and the South. In other words, to achieve national reconciliation, it is very important for the North and the South to take as a basic common denominator the Korean commonwealth reunification formula put forward by President No on 11 September 1989, in which a unified democratic republic is founded under the principles of democracy, independence, and peace after passing through the intermediate phase of North-South federation. For this end the North and the South should be patient with each other, make consessions, and continue to negotiate with the firm will to achieve national reunification.

[Pak] Thank you very much.

Three Suspects in Land Fraud Case Surrender

SK0807023892 Seoul YONHAP in English
0057 GMT 8 Jul 92

[Text] Seoul, July 8 (YONHAP)—Three of the key figures in a 47.3 billion-won land scam gave themselves up to the authorities Tuesday night and early Wednesday morning, and the outline of one of the nation's largest financial scandals in recent years is expected to be revealed soon.

Officials said the suspects, brothers Chong Myong-u and Chong Kon-chung, chairman of Sungmoo Construction Co., and Chong Yong-chin (no relation), president of the company, surrendered to the prosecution.

Investigators questioned them overnight, the officials said.

Chong Kon-chung, 51, and Chong Young-chin, 31, were suspected of defrauding the First Life Insurance Co. of part of the 47.3 billion won with a bogus land sales contract between December last year and February this year, the Seoul district prosecution said.

The two, along with Chong Kon-chung's elder brother, Myong-u, tried to use the money to get government approval for the establishment of a college.

Earlier, the prosecution took into custody another key figure, Kim Yong-ho, after the 52-year-old former army officer was brought back to the country from China, where he was seized by Korean officials reportedly with the help of the Chinese authorities.

The Seoul district prosecution said that it would formally arrest Kim Yong-ho on Wednesday, and seek arrest warrants for the three Chongs by Thursday.

Kim reportedly told investigators that he received 8.1 billion won from Chong Myong-u, 55, after he used his seal and name on the bogus contract for the land deal.

But Kim said he returned most of the money through the wife of Chong Kon-chung shortly before he went to Hong Kong on June 11. Kim then went to China.

Investigators have so far established that Chong Kon-chung and the other suspects purchased 3.1 billion won of land belonging to the Defense Ministry and occupied by the joint chiefs of staff headquarters in April with the money they took from First Life, local reports said.

Kim Yong-ho, a civilian employee of the joint chiefs of staff, told investigators he had met first life executive director Yun Song-sik, who represented the insurance company in the deal, but he was unaware of what was going on between Yun and Chong, the prime suspect in the scam.

Opposition Parties Begin Investigation

SK0807094392 Seoul YONHAP in English 0739 GMT 8 Jul 92

[Text] Seoul, July 8 (YONHAP)—The opposition camp Wednesday launched its own investigations into a huge land fraud and agreed to invoke a parliamentary probe of the scam, which has rocked the country.

The main opposition Democratic Party (DP) formed a special panel of 12 lawmakers belonging to the National Assembly Finance and Defense Committees to investigate the case, particularly focusing on the people behind the fraud.

The panel was activated immediately after DP lawmakers agreed in a series of meetings that the ongoing investigation by the prosecution might be unsatisfactory.

Speaking in one of the meetings, Kim Tae-chung, cochairman of the DP, strongly urged the government to make a thorough investigation into who was behind the fraud.

The opposition leader said he had a hunch that law enforcement officials had tried to manipulate the situation by promising not to file national security charges against one of the suspects, Kim Yong-ho, on condition that he not reveal who was behind him.

The DP leader pointed out that the authorities gave a cloudy explanation of their decision to give Kim immunity from charges of violating the tough law even though he had apparently tried to defect to the north across a bridge over the Apnok (Yalu) River.

Some lawmakers urged a joint investigation with the minor opposition Unification National Party (UNP), submission of a motion calling for the cabinet to resign and prosecution of the defense minister in connection with the land fraud.

The UNP also formed a committee to probe the fraud after a meeting of lawmakers Wednesday morning. The UNP committee will also probe projects suspected of receiving government favors, according to party sources.

Seoul, Steel Industry To Fight Dumping Charge

SK0807093592 Seoul YONHAP in English 0137 GMT 8 Jul 92

[Text] Seoul, July 8 (YONHAP)—The government has decided to team up with the Korean steel industry to deal with dumping charges by the U.S. steel industry against Korean products, officials said Wednesday.

The decision came in a meeting of government officials and representatives of the Pohang Iron and Steel Co. and four other steel manufacturers and the Korea Iron and Steel Association on Tuesday.

It was decided to form a task force within the association to respond to U.S. investigations.

The government, meanwhile, will conduct official negotiations with the U.S. Government while trying to coordinate its response with Japan, the European Community, Canada and Mexico, which are also charged with dumping.

Government To Curb Farm, Fisheries Imports

SK0807014692 Seoul YONHAP in English 0033 GMT 8 Jul 92

[Text] Seoul, July 8 (YONHAP)—The government has decided to curb farm and fisheries imports as much as possible to reduce the damage to South Korean farmers, government officials said Wednesday.

The action by the Agriculture, Forestry and Fisheries Ministry comes despite signs of stability in farm and fisheries imports.

The Ministry will even minimize imports of items that must be brought in from abroad due to difficulties in production here, they said.

At the same time, it will introduce a technological control system and bolster regulations on tariffs and customs clearance.

Imports of farm, forestry and fisheries products totaled 2.42 billion U.S. dollars in January-April, up 10.2 percent over the same period a year earlier. The growth rate represents a sharp decline from 19.2 percent registered in the corresponding period last year.

Government To Invest in Technology Development

SK0807092692 Seoul YONHAP in English 0131 GMT 8 Jul 92

[Text] Seoul, July 8 (YONHAP)—South Korea will invest 3.7 trillion won in the development of 11 ultramodern technologies such as high-definition television and will expand tax favors for enterprises doing research and development (R&D), Deputy Prime Minister Choe Kak-kyu said Wednesday.

Korea's investment in the science-technology sector will rise to 2.63 percent of the gross national product this year, with the government's investment jumping 16.5 percent to 1.4 trillion won, Choe told a meeting called to review the progress of policies aimed at upgrading the level of science and technology. President No Tae-u attended the meeting, held in Taedok Science Town.

"Development of science and technology is the key to strengthening the competitiveness of the manufacturing industry, the most urgent task our country is faced with. The government, while increasing investment in the public sector, will encourage private firms' investment through financial and tax favors," Choe said.

To alleviate tax burdens on firms which invest in technology development, the government will enable them to amortize 90 percent of such investment at once next year.

The government will seek to revise the tax reduction control law in a way expanding the tax deduction rate for firms making technological investment from the current 10 percent of the expenditure to a greater extent, Choe said.

The government will offer 230 billion won next year to the science-technology promotion fund, projected to be 1 trillion won by 1996. To help support technological development by small- and medium-sized firms, the Korea Technology Financing Co. will release 700 billion won next year.

Science and Technology Minister Kim Chin-hyon said an environmental technology development institute would be set up in September to carry out follow-up measures to the earth summit.

He said Korea and the United States would discuss joint research on semiconductor devices and computer and a bilateral foundation for science-technology development in a minister-level meeting in the latter half of this year.

President No, upon receiving the reports, instructed the government to work out measures to boost the morale of researchers at state-invested research organizations and of public servants in the technology sectors.

The chief executive also stressed the need to give primacy to the quality of products in government tenders for military supplies as development of advanced new technologies was essential for enhancement of the nation's defense capability.

DP Urges Government 'To Rescue' Stock Market

SK0707122692 Seoul YONHAP in English
0852 GMT 7 Jul 92

[Text] Seoul, July 7 (YONHAP)—The main opposition Democratic Party (DP) urged the government to take drastic and effective measures to rescue the stock market from its run of record lows Tuesday.

The party called for the government to induce investment capital to flow into the sluggish market while keeping out speculative hot money.

"Because today's market owes its slump to rising inflation, bankruptcies of manufacturers, lagging technology, meager exports and poor international competitiveness, a drastic policy to remove these thorns must be studied," DP spokesman Chang Che-sik said.

Inflation could be reversed by reducing the budget and improving the monetary policy, he said.

He demanded measures to prevent small- and medium-sized firms from going bankrupt and encourage active investment in technology development and relief for industrial victims.

It was imperative to stop real estate scams and to prevent capital from flowing into the underground economy while making more loans available to businessmen as a long-term means to restore the stock market to health, he said.

To safeguard investors from putting their money into unsafe companies, he called for strict inspection of listed companies and proposed that all shares listed on the stock market be split into 10 shares.

He also demanded thorough protection of the stock exchange from inside trading and manipulation of stock prices.

DP presidential candidate Kim Tae-chung planned to visit the stock market on Saturday, he added.

Presidential Candidates Woo Military Establishment

SK0307152792 Pusan PUSAN ILBO in Korean
26 Jun 92 p 25-26

[Article by reporter Kim Myong-kon: "A Competition To Embrace Presidential Candidates"]

[Text] On the morning of 24 June, the eve of the 42d anniversary of the Korean war, a regular breakfast meeting was hosted by "Songbaekhoe," a fraternal society of retired Army, Air Force, and Navy generals, currently headed by Democratic Liberal Party [DLP] lawmaker Kim Pok-tong, at the Ramada Renaissance Hotel in Seoul. It was attended by about 250 generals and was a successful event.

Kim Yong-sam, DLP executive chairman and DLP presidential candidate, delivered a speech at the breakfast meeting as the guest of honor. With excitement on his face, he was clearly taking pains to promote friendly ties with the figures who formerly had military careers.

Suddenly, the presidential candidates are actively on the move to become closer to the military establishment, which has recently professed its political neutrality and is trying to stay out of politics, and to figures with military careers.

What is the key to solving the equation between the military establishment, which maintains an equidistance between the ruling party and the opposition parties, and the presidential election?

At a time when presidential candidates of both the ruling and opposition parties are rushing toward the height of the presidential election, people are paying keen attention to what kind of ways the military and the presidential candidates can develop to solve their functional relations. Public attention is riveted on the effort which began in the first place with questions to define the role and position of the military establishment: "Does the military have any choice but to stand on the side of the ruling party all the time?" or "is it impossible for the military to remain strictly neutral in the presidential election in compliance with the changing times?"

Of course, such questions were raised when the military began examining itself and decided that "the military was not so neutral in the past," even though it could have done otherwise. Therefore, what kind of attitude it will adopt toward the presidential candidates indicates much about the presidential election results.

It is encouraging that the military, which can be said, without exaggeration, to have greatly swayed Korean politics since the 16 May coup d'etat, beginning with the Pak Chong-hui regime and continuing through the Chon Tu-hwan and the No Tae-u regimes, is now trying to return essentially to its own function at a historic crossroads of creating a new regime.

So, the fact that people's "perception of the military has begun to change" is in itself "a galvanizing shock," even without considering its aftereffect.

What is more interesting is that presidential candidates of both the ruling and opposition parties are trying to take advantage of the "change in the military" to establish new relations with the latter, enthusing over "moving closer to the military" and "winning over the military." People are paying keen attention to this.

First of all, changes in the military are visible virtually in every aspect. What is conspicuous is that out of 26 retired generals-turned-politicians who have been elected to the 14th National Assembly, six ran in the general elections as opposition candidates and were elected.

Unlike in the past, five soldier-turned-politicians, Kang Chang-song, Hwang Ui-song, Na Pyong-son, Chang Chun-ki, and Yim Pok-chin, have chosen to align themselves with the opposition party, the Democratic Party [DP], and one, Yi Kon-yong, the United People's Party [UPP]. In the past, it was rare to see retired generals in the opposition parties. So, these soldier-turned-politicians have done something unheard of in the past.

In particular, DP lawmakers Na Pyong-chin and Chang Chun-ki, both from the 14th class of the Korean Military Academy [KMA], and Yim Pok-chin, 17th class of the KMA, all graduates of the established military academy, are the first ever to join the opposition and, therefore, are expected to play the role of a bridge between the opposition parties and the military.

It was at a 13 June meeting on the KMA campus that the military leaders, who are generally considered to be the military establishment, and soldier-turned-politicians embarked on the road of forming new relations between them, drawing fresh attention from the people.

On this day, military leaders, including Choe Se-chang, defense minister from the 13th class of the KMA; Kwon Yong-hae, vice defense minister from the 15th class; Yi Pil-sop, chairman of the Joint Chiefs of Staff from the 16th class; and from the 19th class, Kim Chin-yong, Army chief of staff; Kim Chol-u, Navy chief of staff; Han Chu-sok, Air Force chief of staff; and So Wan-su, commander of the Defense Security Command invited a total of 25 soldier-turned- politicians, ruling and opposition, as well as independent lawmakers, to a party to congratulate them on becoming National Assembly members. The party consisted of a "Rite of Hwarang" conducted by the cadets, a luncheon, golf playing, and a banquet. During these programs, the participants conversed with each other without reservation.

That day, four DP lawmakers, excluding lawmaker Yim; UPP lawmakers Yi Kon-yong and Song Kwang-ho, from the third class of the Reserve Officers Training Corps and retired lieutenant colonel; and independent lawmakers Chong Ho-yong, 11th class of the KMA, and Ho Hwa-pyong, 18th class of the KMA, also participated in the "banquet of stars." At the banquet they reportedly had a frank exchange of conversation with the lawmakers from the ruling party who were their seniors and juniors in the Army.

Speaking at a DP members meeting in Suwon on 15 June, lawmaker Kang Chang-song revealed that "two of the national defense ministers, the Army chief of staff, and the chief of the Defense and Security Command had clarified that there is no reason whatsoever for the military to oppose DP Chairman Kim Tae-chung, even if he is elected president in the upcoming presidential election." Thus, his remarks attracted the attention of politicians.

At the banquet, top military leaders reportedly said that "we want the opposition party not to refuse Chairman Kim Yong-sam if he is elected president, and, likewise, the military is ready to welcome Chairman Kim Tae-chung even if he becomes president."

Such open and frank remarks by these top military leaders can be interpreted as a change in the military circles' understanding toward chairman Kim Tae-chung, who has long been regarded by them as persona non grata. This is also definitely a change attracting people's attention.

The second gathering of former Army generals who are now lawmakers in the 14th National Assembly was at a banquet arranged by the Pulamhoe in the evening of 15 June to congratulate 23 KMA-graduate lawmakers on their election. The Pulamhoe, headed by Yi Sang-hun, former national defense minister, is a fraternal orgnaization of former Army generals who graduated from the 11th class through the 20th class of the KMA, as well as those KMA graduates who formerly served in the government as vice ministers or ministers.

At the gathering, Yi Sang-hun reportedly told the participants, KMA-graduate lawmakers, that "we want you to do your best to remove the people's distrust of politicians and to carry out clean politics."

At the same gathering, independent lawmaker Kang Chang-hui, 25th class of the KMA, reportedly said that "for KMA-graduate lawmakers to become genuine politicians, it is imperative for our seniors and colleagues to sincerely reflect on their past attitude and behavior."

It was reported that at the gathering the lawmakers unanimously emphasized that "the phenomena of the ruling and opposition parties being able to share politically able manpower and political funds should be created among our political circles, because otherwise the vigilance against the transfer of power cannot be eliminated." Thus, they raised voices of self-reflection and new determination which could hardly be heard in the past.

Another event which also drew people's attention was that in the evening of 7 June, former President Chon Tu-hwan invited three KMA-graduate lawmakers of the DP to a banquet arranged for them at the Swiss Grand Hotel in Seoul to congratulate and encourage them on their election. At this "very unusual meeting" Mr. Chon reportedly said: "You served in the Army for a long time, and after being discharged from the Army you have joined an opposition party and have been elected lawmakers. I congratulate you on that."

He also reportedly encouraged them by saying: "Most Army general-turned lawmakers have tended to join the ruling party. However, it is also an act for the country for them to join an opposition party. Indeed, their role in an opposition party may be more significant."

At this meeting Mr. Chon reportedly advised them to sincerely assist Chairman Kim Tae-chung by saying that "DP Chairman Kim Tae- chung is an outstanding politician with great aministrative ability and has a great wealth of knowledge and is a truly outstanding politician in our country today."

People now see these activities of the military leaders and those of general-turned-lawmakers from very different perspectives. This assessment is convincing.

In the course of the development of Korean society, people considered the military to be a contradictory element that must be overcome. People interpret the aforementioned activities by the military as the expression of its will to free itself from its "old shell" and to seek "political neutrality." High-ranking military leaders generally perceive that the military must not do what it did during the 1987 election. At that time, the military said that a certain candidate [Kim Tae-chung] must not become president. Therefore, people expect much from the military.

The military's efforts to free itself from politics have greatly affected each party's presidential candidate. As a result, it is clear that this will become a factor in the presidential election.

DLP Executive Chairman Kim Yong-sam has been busy consolidating his base in the greater ruling circles. The changed attitude of the military, which had always been considered as the ruling party's supporter, has made it necessary for Kim Yong-sam to change his course. Even though he used to be in the opposition, Executive Chairman Kim emerged as the ruling party's presidential candidate. Therefore, wooing the military, which is an important element in uniting the ruling circles, is one of his urgent tasks.

However, the military is embarrassed at the certainty that "whoever becomes president, a nonmilitary man will command the military." Also, the military questions Executive Chairman Kim's disposition because, even though he is the ruling party's presidential candidate, he was once a fighter in the opposition who called for an end to military rule. Therefore, it is difficult for Executive Chairman Kim to expect that the military will unconditionally support him.

Because of the "distance" between Executive Chairman Kim and the military, he has no alternative but to quicken the pace of his approach toward the military.

On 4 June, right after he had been elected as the DLP presidential candidate, Executive Chairman Kim paid consolatory visits to military units.

On that day, Yi Pyong-tae, director of the Operations Headquarters of the Joint Chiefs of Staff, "in an unusual move" escorted him to military units. Such heavyweight general-turned-lawmakers as Kim Pok-tong from the 11th KMA class, Pak Se-chik from the 12th KMA class, and Chong Tong-ho from the 13th KMA class accompanied him. This means he paid much attention to this visit.

DP President Kim Tae-chung has constantly suffered from a "complex about the military." In the face of the military's moves toward neutrality and the changed view on the opposition and of former President Chon Tu-hwan's favorable reaction to him, DP President Kim Tae-chung appeared to consider them to be a green light for his relations with the military.

When the controversy over the absentee ballot in the military took place, even the UPP waged a struggle. However, the DP, which suffered most heavily from the incident, backed down on its decision to wage a struggle, saying: "This may hamper the entire military's honor and morale." One can read President Kim Tae-chung's "conciliatory gesture toward the military" from this episode.

In particular, during his 26 June acceptance speech as presidential candidate, President Kim Tae-chung specifically stressed national security and pledged to promote politics of greater harmony between civilians and the military.

UPP President Chong Chu-yong is no exception in the presidential candidates' movements toward the military's "votes."

Even though he insists that he and the military belong to the conservative rightist group, he recently said that "communist parties can be allowed." Therefore, he was in serious trouble. Still, in the 8 June panel under SISA JOURNAL'S sponsorship in which he said that communist parties could be allowed, he said that he was "resolutely opposed" to the U.S. troops' withdrawal and an arms reduction, which are sensitive issues for the military. He also said that "military equipment must be modernized." He made those remarks with the military in mind.

Attention is focused on how, in connection with the military's change of attitude toward the political circles, the presidential candidates' efforts to win military votes will end.

Brunei, Malaysia & Singapore

Malaysia

Mahathir Says Fundamentalists Stop Development

BK0707150192 Hong Kong AFP in English 0703 GMT 7 Jul 92

[Text] Kuala Lumpur, July 7 (AFP)—Prime Minister Mahathir Mohamed Tuesday warned that development could stop in northeastern Kelantan state where the opposition government has barricaded roads to a massive dam being built mainly by British contractors.

"What if the federal government closed all the roads leading to Kelantan? Then, it will be difficult for the state," Mahathir said in response to the state government's action Saturday.

News reports said that Kelantan's radical Partai Islam (Islamic Party) government, bitterly opposed to Mahathir's United Malays National Organisation (UMNO), had blocked off two key roads to the dam to back a claim for compensation from the federal government for the 720 million U.S.dollars Pergau dam.

This is the second time that work on the project has stopped over the issue of compensation. The Kelantan government is demanding 36 million U.S.dollars, a sum which the federal government says is unreasonable.

Most of the construction work on the dam is being undertaken by Kerjaya-Balfour Beatty Cementation, a joint venture between British civil engineering contractor Balfour Beatty and a Malaysian-owned company, KerjayaBinaan.

The project is an essential element in plans by Tenaga Nasional, the electricity utility, to double Malaysia's generating capacity to 10,000 megawatts over the next 10 years to meet rising power needs.

In February officials in Kelantan, the only Malaysian state ruled by the Partai Islam, confiscated building equipment stored outside the dam's construction site.

However, a temporary agreement was reached between the federal and state governments on the amount to be paid to Kelantan in return for the water rights linked to the project. The agreement, the details of which were not made public, expired on June 30.

"The state government decided to seal the roads and may order the cessation of all work on the project until a fresh agreement is signed and compensation paid," a state government source was quoted as saying in local newspaper reports.

Tenaga Nasional sources said that the contractors might have to terminate the services of 500 workers and only re-engage them after the roads are reopened.

The roads closed are crucial for the contractors to transfer heavy machinery and construction materials to the project site, said a source.

A total of 1,800 people are working on the 600 MW dam project, 75kilometres (46 miles) southwest of the Kelantan capital of Kota Baharu.

"A good way to resolve this is through negotiations and not closing roads," Mahathir told journalists.

He said that giving in to the Kelantan government's compensation claim could lead to other states making similar demands.

"There must be a basis for the claim. We are prepared to pay and cooperate in the matter if the claims are reasonable," he said.

Iranian Vice President Arrives for Joint Meeting

BK0807065092 Kuala Lumpur BERNAMA in English 0346 GMT 8 Jul 92

[Text] Kuala Lumpur, July 8 (OANA/BERNAMA)—Iranian Vice President Masud Roghani Zanjani, who is leading a 23-man delegation, arrived here Tuesday evening for the third Malaysia-Iran joint commission meeting (JCM) beginning Wednesday.

They were met on arrival at the Kuala Lumpur International Airport by Foreign Minister Abdullah Ahmad Badawi.

Also present were the Iranian ambassador to Malaysia, Ahmad 'Ajallu'iyan, and Malaysia's ambassador to Iran, Mohamed Azhari Abdul Karim.

Abdullah said the two-day JCM was expected to enhance economic cooperation and bilateral trade between the two countries.

Production Accord With British Aerospace Signed

BK0407090092 Kuala Lumpur NEW STRAITS TIMES in English 3 Jul 92 p 6

[By Juhaidi Yean Abdullah]

[Text] Kualalumpur, Thurs—A local company has signed an agreement with a British aerospace group to produce ground support equipment and weapons pylons for the Hawk ground attack fighter aircraft.

The ground support equipment includes auxiliary power units while pylons are fixed points under the aircraft wings to hold missiles, rockets, and bombs.

The production of these items are under the [Malaysian] $400 million offset programme following the sale of 28 Hawks to the Royal Malaysian Air Force [RMAF].

The bill to equip the RMAF with two squadrons of the Hawks is [Malaysian] $2 billion and is part of the

[Malaysian] $4.8 billion arms deal between Malaysia and Britain under the 1988 Memorandum of Understanding.

The tie-up was sealed last week between SE [Expansion Unknown] Aerospace SDn.Bhd. [Private Limited] (SMEA) and British Aerospace (BAe) at the latter's Hawk fighter aircraft assembling plant in Warton, United Kingdom.

SMEA, established in March, is a wholly-owned subsidiary of SME Technologies (SMET).

It was represented by SMET chairman Jen. (RTD) [Retired General] Tan Sri Hashim Mohamed Ali, while Mr. C.P. Jackson signed on behalf of BAe.

In an interview with the NEW STRAITS TIMES, Hashim, who retired as the Armed Forces chief recently, said manufacturing the equipment was the first in a series of production programmes being finalised by the two parties.

Details like the types of ground support equipment and its quantities, and production figures for the pylons will also be discussed.

The agreement was another step forward in the expansion of SMET, formerly known as SME Tools Sdn. Bhd, into aerospace-related manufacturing activities.

SMEA director S. Sivakumaran said the programme would have to stretch betweeen five and 10 years for it to be viable.

Asked if SMEA was competing with Airod Snd. Bhd. for offset programme projects under the Hawk contract, he said the company was only complementing Airod's activities which were mainly aircraft repair and servicing.

Airod also manufactures digital flight data recorders or "black boxes" for export.

Sivakumar, who is also SME financial controller, said 8,000 Steyr assault rifles were delivered to the armed forces at the end of last year and they would get another 13,500 by year end.

He also said production and delivery of the schedule.

A total of 65,000 Steyr rifles, manufactured by SME under licence from its Austrian manufacturer, will be delivered to the armed forces in five years.

SME's large calibre ammunition plant has been built in Batu Arang and is scheduled to be opened by Defence Minister Datuk Seri Najib Tun Razak on Tuesday.

Cambodia

Khmer Rouge Refuse To Lay Down Arms, Cantonment

BK0807112292 Hong Kong AFP in English 1119 GMT 8 Jul 92

[Text] Phnom Penh, July 8 (AFP)—The Khmer Rouge refused again Wednesday to lay down their arms and accept a final effort by U.N. peacekeepers and Prince Norodom Sihanouk for compliance with the Cambodian peace process.

The radical faction instead demanded the dismantlemnt of the Phnom Penh government as a precondition to going along with the peace agreements, and Phnom Penh Prime Minister Hun Sen came out of the meeting calling for economic sanctions by the U.N. Security Council.

The head of the U.N. peacekeeping mission, Yasushi Akashi said he would leave a decision about what to do up to the Security Council.

He said during the meeting that reconstruction projects for Cambodia would be placed in jeopardy by the impasse.

Call for Sanctions To Go to UNSC

BK0807115492 Hong Kong AFP in English 1143 GMT 8 Jul 92

[By Sheri Prasso]

[Excerpts] Phnom Penh, July 8 (AFP)—The Khmer Rouge refused again Wednesday to lay down their arms and cooperate with U.N. peacekeepers, forcing the Phnom Penh government to plead for international economic sanctions against the radical Marxist faction.

The head of the U.N. peacekeeping mission here, Yasushi Akashi, said he would have to take the impasse to the U.N. Security Council for action.

A Supreme National Council (SNC) meeting between Akashi, the heads of Cambodia's four factions including Khmer Rouge nominal leader Khieu Samphan and Cambodian Prince Norodom Sihanouk failed to make any headway in resolving the deadlock between U.N. peacekeepers and the Khmer Rouge. [passage omitted]

For the first time, the Khmer Rouge clearly said they will not be satisfied that the Vietnamese have withdrawn from Cambodia until the Phnom Penh government is removed from power.

"The so called Phnom Penh 'government' has been installed by foreign forces to serve as a tool for their occupation of Cambodia," the faction said in a statement presented at the meeting.

"Actually that so called 'government' is used to cover foreign forces who continue to stay in Cambodia to modify the demographic situation in the country by continuing to allow ... (an) increasing number of Vietnamese settlers," the statement by Khieu Samphan said.

The statement also called for a referendum to be held in Phnom Penh to see whether the Phnom Penh ministers should remain in power.

Phnom Penh Prime Minister Hun Sen said the meeting was the last straw, and now was the time for economic sanctions.

"I believe if we wait and delay (and) ... try to persuade the Khmer Rouge to come back, this is a waste of time," he told reporters following the SNC meeting.

"Political and economic sanctions would be quite effective to put pressure on the Khmer Rouge, to deny them the opportunity to use anyone as their hostage," he said.

He said the roads used by Khmer Rouge and Thai military officials to take gems and logs out of areas they control should be sealed, their bank assets should be frozen and that international reconstruction aid should be withheld from their zones.

But Akashi during the meeting said reconstruction projects for Cambodia could be placed in jeopardy by the impasse.

"Reconstruction work may have to be suspended or impeded due to the political difficulties in which we find ourselves," he said. [passage omitted]

Participants at Supreme National Council Session

BK0807114092 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1100 GMT 8 Jul 92

["News on the 13th Session of the Cambodian Supreme National Council"—read by announcer]

[Text] A meeting of the Cambodian Supreme National Council [SNC] was held under the chairmanship of His Royal Highness Prince Norodom Sihanouk, head of state and SNC chairman, and His Excellency [H.E.] Yasushi Akashi, head of the UN Transitional Authority in Cambodia [UNTAC] at 1500 on 8 July at Khemarin Palace.

SNC members attending the meeting, on the State of Cambodia side, were: Their Excellencies Hun Sen, Hor Namhong, Dit Munti, Im Chhunlim, General Tie Banh, and Senior Lieutenat General Sin Sen; on the FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] side, Prince Norodom Ranariddh; on the Khmer People's National Liberation Front side Their Excellencies Son Sann and Ieng Muli; on the Party of Democratic Kampuchea side, H.E. Khieu Samphan.

The meeting was also attended by their excellencies ambassadors and representatives of diplomatic missions from various countries accredited to Cambodia, and many UNTAC officials.

Khmer Rouge 'Strongest Remarks' on UNTAC Noted

BK0807053892 Phnom Penh SPK in English 0408 GMT 8 Jul 92

[Text] Phnom Penh SPK, July 8—The Khmer Rouge have, in their recent radio broadcast, launched a wordy offensive against U.N. peacekeepers in Cambodia by calling them "bad and evil people" and accusing them of siding with the Phnom Penh government.

These are the strongest remarks made so far by Khmer Rouge against the U.N., a world body which is entrusted by the international community.

The Khmer Rouge attitude showed that they were trying to distrust the U.N. Transitional Authority in Cambodia [UNTAC] which is responsible for organizing free and fair elections in the country in conformity with the Paris peace accords signed in October last year by all Cambodian factions, including the Khmer Rouge.

It also revealed the reasons why they had conducted a series of attacks against U.N. helicopters flying over their controlled areas, sought to gain military advantage in the countryside by triggering more and more deliberate voilations of the ceasefire, put forward preconditions for entering phase two of the ceasefire in which 70 per cent of all factions' armed forces have been supposed to be regrouped and cantoned, and it is clear that by demanding the dismantling of the existing administrative structures, the Khmer Rouge, in fact, are blocking the implementation of the Paris peace accord after they had made the 1989 Paris International Conference on Cambodia a failure with the same demand.

Chairman of the Cambodia's Supreme National Council His Royal Highness Prince Norodom Sihanouk, a man of great wisdom, the symbol of national unity, and a constant inspiration not only to Cambodians but also to the international community, said in Beijing Sunday that he had no political or moral influence over the Khmer Rouge to persuade them to comply with the peace plan.

Regrettably, some countries which are committed to the peace process in Cambodia have shown their hesitancy to send troops to join the UN Peacekeeping Forces in Cambodia on the ground that critical situation created by the Khmer Rouge continues to exist.

So what should the UNTAC, whose chief was invested with the final say by the Paris agreement, do to deal with the intransigence of the Khmer Rouge so as to bring them into line with the agreement and to end the sufferings of the Cambodian people?

Prince Sihanouk Returns From Beijing 7 Jul

BK0707115092 Phnom Penh SPK in English 1056 GMT 7 Jul 92

[Text] Phnom Penh SPK July 7—Prince Norodom Sihanouk, head of state and chairman of the Supreme

National Council of Cambodia (SNC), returned here today after spending 26 days abroad.

Prince Sihanouk and his royal wife Monique left Phnom Penh for Beijing on June 12 to visit his 90-year-old aunt who is in poor health.

During his royal trip abroad, the prince attended the Tokyo conference on Cambodia's reconstruction held in the Japanese capital on June 22 with the participation of four Cambodian rival factions, 32 countries and 12 international organizations.

Prince Sihanouk had planned to return home by the beginning of this month to attend the July 2 SNC meeting, but later he postponed the trip back for health reasons, so last week's SNC meeting was carried out without the prince's presence.

In a written statement issued in Beijing Sunday, Prince Sihanouk said, in reference to the Khmer Rouge's intransigence over the peace plan, that he had no influence to persuade them.

The prince said the SNC, which groups the country's four factions, would meet again on Wednesday [8 July] in Phnom Penh, with an agenda fixed by UNTAC chief Yasushi Akashi, who will cochair the meeting.

The Khmer Rouge have refused to move ahead with the second phase of a peace plan signed in Paris in October which calls for troops on all sides to be under U.N. control and peacekeeping troops from the world body be allowed to enter areas under Khmer Rouge's control.

On Friday, the Khmer Rouge demanded that Phnom Penh government abandon the national flag, anthem and assembly until the U.N. mandate to run the country under the Paris accord ends with the general elections in mid-1993.

Prince Sihanouk deplored the "serious differences in interpretation" of the Paris accord and the proposals made at the Tokyo conference on June 22 to reach a compromise.

Hun Sen 'Tougher' on Khmer Rouge Noncooperation

BK0707111692 Hong Kong AFP in English 1101 GMT 7 Jul 92

[By Sheri Prasso]

[Text] Phnom Penh, July 7 (AFP)—Prince Norodom Sihanouk returned to Cambodia to chair a crucial meeting Wednesday of the Supreme National Council (SNC), where the radical Khmer Rouge will have to say if they will cooperate with a peace accord or not.

"I cannot say I will be successful in my attempts to make the Khmer Rouge flexible and reasonable, but I hope there will be something positive," Prince Sihanouk told reporters on his arrival Tuesday at Pochentong International Airport.

Prime Minister Hun Sen, however, took a tougher approach, warning that a "no" answer could bring economic sanctions and ultimately exclusion from the peace process.

"Some people think the Khmer Rouge are keeping their compliance as a gift to give to Prince Sihanouk at the meeting...but I don't believe the Khmer Rouge will do anything," he told AFP in an interview.

First, economic sanctions should be imposed and a barrier put up along the border with Thailand to halt the faction's lucrative gem and logging trade, but even such financial pressure might not work, Hun Sen said.

"We would (then) have to impose political sanctions by excluding them from the SNC and regarding them as a group of rebels," he said.

It is not the best solution, "but it is a lot better than allowing the Khmer Rouge to be inside and completely destroying the peace process," Hun Sen said.

"If sanctions are imposed, I believe the rank and file of the Khmer Rouge might defect from their leaders," he said. "If (the leaders) still refuse (to comply)...let those leaders stay in the jungle and become monkeys."

Hun Sen did propose a carrot to try to ensure Khmer Rouge compliance, saying the U.N. Transitional Authority in Cambodia (UNTAC) must declare that there are no more Vietnamese forces in Cambodia—a sticking point in the faction's non-cooperation.

The Khmer Rouge have repeatedly complained that Vietnamese troops who ousted the faction in 1979 and installed the Hun Sen government remain in Cambodia, a claim that UNTAC says it cannot verify.

The prince said he would meet later Tuesday with Khieu Samphan, the hard-line faction's nominal leader, in an attempt to work out a compromise.

The dispute hinges on the question of the power of the SNC and the Phnom Penh government under last October's Paris peace accords, which stipulate that the existing administrations will remain in place under U.N. control pending elections next year.

Phnom Penh officials say their government structure can remain intact, but the Khmer Rouge deny this, while the U.N. is trying to sort out a middle ground. Three meetings between UNTAC chief Yasushi Akashi and Khieu Samphan have yielded little result. Khieu Samphan, when asked about his expectations for the SNC meeting, replied cryptically: "I don't know yet. We will see."

In an earlier statement Tuesday, Hun Sen said the Khmer Rouge were returning to a position that was already worked out during the long and arduous peace negotiations.

"The Khmer Rouge are in a period of negotiating a new agreement, and not of implementing the accords," he said.

"I, Hun Sen, may be called by anyone by whatever name you wish, whether prime minister, the president of the Council of Ministers, the Phnom Penh administration or...son, grandson, brother, younger brother, nephew, etc. But what is important and real is that I am fulfilling my mandate as leader of the administrative structures under the control of" the Phnom Penh government, the statement said.

Hun Sen said he has no objection when the Khmer Rouge leader is called "President Khieu Samphan if it is so desired."

The Khmer Rouge can set up a similar government structure if they want, "and appoint hundreds of ministers," the prime minister said.

Prince Sihanouk who was undergoing medical treatment in Beijing, had postponed his return to Cambodia for health reasons. He said he was feeling "much better" now, but that last week he was "extremely tired (with) some fever."

Son Sann Calls for Understanding, Unity

BK0807105192 (Clandestine) Voice of the Khmer in Cambodian 0430 GMT 8 Jul 92

[Interview with Son Sann, president of the Khmer People's National Liberation Front, chairman of the Buddhist Liberal Democratic Party, and member of Cambodia's Supreme National Council, by unidentified station correspondent on 3 July in Bangkok—recorded]

[Text] [Correspondent] I represent the Voice of the Khmer [VOK]. My respects to His Excellency Son Sann, president of the Khmer People's National Liberation Front, chairman of the Buddhist Liberal Democratic Party, and member of Cambodia's Supreme National Council [SNC].

First of all, Excellency, allow me to thank you for granting me this second interview within a short interval to deal with various topics concerning the overall situation in Cambodia in the implementation of the Paris accord. I have learned that Your Excellency has just returned from Beijing where you called on the prince head of state to discuss various important matters that are taking place in Cambodia. Would you please tell us about that recent discussion you had with the prince?

[Son Sann] Yes, I just arrived here last night. I learned this morning that yesterday's meeting between H.E. Yasushi Akashi and the representatives of the other factions was fruitless. I knew that that would be the outcome because of the conflicting stance of some factions. Therefore, I went to see the prince head of state and begged him to come back and help solve the Cambodia problem, to reconvene the SNC under his august chairmanship because he knows the Cambodian problem and its different facets very well. Although a certain faction did not pay much attention to his advice and he has not been feeling very well lately, I went to beg him to help solve the Cambodian problem anyway. If the problem is left to the four factions, with two of them not seeing each other eye to eye, then there will never be a solution to the Cambodian problem and soon the international community will be fed up and will become indifferent to the Cambodian problem. Consequently, the rehabilitation efforts with the promised aid worth $880 million as announced at the Tokyo conference last month will not be made and no one will help us if we do not reconcile with one another and keep making it impossible for peace to return to Cambodia.

[Correspondent] Thank you, Excellency. As you just said, the 2 July SNC meeting without the presence of His Royal Highness Prince Norodom Sihanouk and that of yourself failed to find a way out for the currently stalled implementation of phase two of the cease-fire in Cambodia. This has greatly worried the Khmer people. Can you say you are confident there will be a solution to that problem?

[Son Sann] I met the prince and exchanged views with him. The prince is well aware of the Cambodian problem. He knows how to solve it. I only wish to call on our Khmer people to understand that we Khmer as a whole must be united, must be reconciled. There will be lasting peace in Cambodia if there is national reconciliation, mutual understanding, and unity. Otherwise, like what is happening now, there will only be perpetual conflict between factions and continual fighting. When there is fighting, who will suffer the most? The wounded and the dead will always be the innocent people whose desire it is just to live in peace. Therefore, my belief since the beginning has always been that the nation should be reconciled.

With national reconciliation there is peace in Cambodia. With peace, the international community will help us rebuild the country. To get peace, we must have national reconciliation. To have national reconciliation, we must achieve empathy toward each other and make concessions to one another like people in the same family. We are in the Cambodian family. In a family, the husband and wife should be understanding toward each other. There can be no peace and happiness if the husband is oppressive or if the wife always nags. The husband can find no peace if his wife keeps nagging him after he returns from work. The couple should be understanding toward each other. The husband should let his wife express her opinion. He should listen to her views as much as possible. And the wife should be understanding toward her husband. Only then can there be happiness.

Therefore, the four factions should make concessions in order to achieve national reconciliation. No one is right all the time. If one faction wants all the powers for itself alone, there can be no national reconciliation. Therefore, I again implore that, now, if we want our nation to have lasting peace and the international community to help us build the country as it has already announced that it will do, we must be reconcilied with one another. I am confident that if all brothers place the interests of the

Cambodian nation and Khmer people above everything else, during the coming meeting when the prince returns soon to Phnom Penh and reconvenes the meeting under his august chairmanship, you must agree with each other. We all should do whatever the prince will bid us to do. Then we will have peace, for the prince knows the Cambodian problem like the back of his hand; he knows the solution to the Cambodian problem and the position of each faction very well. Therefore, whatever he will ask us to do, we should comply. As a result, the current deadlock will surely be solved. It is because I know this that I went to see the prince. I again ask the two conflicting factions to please have understanding for and make concessions to each other when the prince soon returns. We will work that out in cooperation with UNTAC [UN Transitional Authority in Cambodia]. If we work with UNTAC, we will surely be able to rebuild our country. Please, brothers, listen to me. If you remain stubborn, soon no one will help us.

[Correspondent] On behalf of VOK listeners, I would like to place our hope in the prince head of state and Your Excellency concerning the settlement of the current deadlock. The main pretext used by the Democratic Kampuchea faction, or Khmer Rouge, to obstruct the implementation of the second phase of the cease-fire is the presence of Vietnamese forces in Cambodia. Can you tell us how this problem should be settled?

[Son Sann] I do not take sides. But in the accord that we signed in Paris and the resolutions on Cambodia adopted each year by the UN General Assembly since 1979, I see two issues to be solved: First, all foreign forces should withdraw from Cambodia under UN verification and, second—in plain language—no internationally condemned genocidal forces or policy should be allowed to return. In other words, the Vietnamese forces should first be withdrawn from Cambodia under UNTAC or UN verification before the Khmer Rouge problem can be tackled. On 13 June when all factions were to be disarmed, the Khmer Rouge refused to comply saying that as the first issue has not been solved yet, they refused to comply with the second issue. I have repeatedly proposed that since we are a little late now, we must settle the two issues simultaneously. Some brothers and some international organizations have claimed that they have not seen any Vietnamese troops. That is not correct. We are not talking about Vietnamese troops but Vietnamese forces, which now number about 1 million—one of our friendly neighbors has even informed me that they do not number just 1 million, but 1.4 million. Let us put it at 1 million. These 1 million if armed, even with pistols only, will constitute a considerable force. Many still remember those Viet Cong—not the Hanoi troops, but the Viet Cong forces—who disguised themselves as workers in Saigon and needed only to grab guns in order to seize Saigon. These were commando forces.

We urge all compatriots and the international community to understand that after 13 years of our struggle to liberate Cambodia from the Vietnamese aggressors, Vietnam claimed that all their troops had pulled out. We do not know for sure whether they had really pulled out or not. What we know is that there are 1 million Vietnamese and more in Cambodia. These are Vietnamese forces. There lies the solution to the problem under UNTAC verification. And now H.E. Yasushi Akashi has set up a control committee in which all four Cambodian factions are invited to participate in order to verify the presence of the Vietnamese. It is a good initiative. At the same time as this committee starts functioning, I propose that all of us in the four Cambodian factions should agree to lay down our arms in compliance with the plan we signed in Paris. Realizing the possibility for that solution, I think that we should agree to meet again under the chairmanship of His Royal Highness [HRH] Prince Norodom Sihanouk, who will surely solve the problem.

Nevertheless, we must not forget about the question of the Vietnamese presence, which is a most crucial issue about which we fought for 13 years with thousands of Khmer killed, thousands of others crippled, many children made orphans, and many women made widows. Can we betray the memory of the dead? We must thus solve this Vietnamese presence issue. I know that the Khmer Rouge insist that the Vietnamese presence issue should be solved first before they agree to disarm. But the disarmament has been delayed for almost a month now. Therefore, these two issues must be solved simultaneously. Thus we will raise this matter in the meeting under the chairmanship of HRH Prince Norodom Sihanouk. The discussion, however, should be held in mutual understanding, with concessions, in order to solve the problem so that Cambodia can have peace, the international community can come and help us rebuild the country, and our people can live in peace and happiness.

[Correspondent] Thank you, Excellency. Some observers are of the opinion that the Cambodia solution should be linked to the presence of illegal Vietnamese troops living in Cambodia. Do you agree with that?

[Son Sann] Yes, I do. We must resolve the Vietnamese issue. We must see who has the right to stay in Cambodia. We must discuss that question. In my opinion, anyone who lived in Cambodia before 1975 must be given the right to stay. I would like, however, to make it clear that the Vietnamese residents in Cambodia at that time held Vietnamese cards and were not eligible to vote. Now there are 1 million Vietnamese and there has been a call for them to be granted the right to vote. This is not right. I, however, agree to raise that question for discussion. But personally I think that to solve this Vietnamese question, only those who lived in Cambodia in the past should be allowed to stay.

[Correspondent] Thank you, Excellency. Before concluding, do you have anything else to say to the venerable monks and Cambodian compatriots who are VOK listeners?

[Son Sann] My greetings to all dear compatriots. My respects to all venerable monks. Since the beginning, I have always appealed to Cambodians in all four factions to be conciliatory and understanding toward one another. Wherever you are, you are relatives or brothers to one another. Do not consider the repatriated refugees as not being 100 percent Khmer. It is wrong not to welcome the refugees who return from the Thai border camps.

Another thing is that we Khmer people are divided. To achieve national reconciliation, we must be forgiving and tolerant. Let us not think that we are always right and others are always wrong. If we do that, we will never be able to reconcile. Without conciliation, peace in our country will not last. Therefore, all venerable monks and compatriots should explain and plead to those who wield power to grasp that point and to be tolerant and understanding toward each other during the coming meeting in Phnom Penh under the chairmanship of HRH Prince Norodom Sihanouk. Let us solve both the Vietnamese presence issue and the disarmament issue. In reality, the repatriation of the illegal Vietnamese immigrants should be settled even before the disarmament issue. But, since the situation has turned out in this way—there is a delay in the disarming process which should have started on 13 June—we should settle both the Vietnamese presence and disarmament issues simultaneously. In this way, the Cambodia problem will be settled.

My plea to all Cambodian brothers is that since HRH Prince Norodom Sihanouk has already been elected chairman of the SNC, when he returns and reconvenes the meeting, all of us must attend that meeting and listen to him. We must make things easy for him so that he will help us solve the Cambodia problem in the interest of Cambodia in general, not of any group or groups in particular. The entire interests deriving from the settlement of the Cambodian problem will go to the people of Cambodia as a whole.

Chea Sim Interviewed on PRC, DPRK Visits

BK0607084992 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 0430 GMT 6 Jul 92

[Interview with Chea Sim, chairman of the Cambodian People's Party and chairman of both the National Assembly and the National Council of the Kampuchean National United Front for National Reconstruction and Defense, by unidentified SPK correspondent; place and date not given—read by two announcers]

[Text] [SPK] My respects to your excellency, the chairman of the Cambodian People's Party [CPP] and chairman of both the National Assembly and the Kampuchean National United Front for National Reconstruction and Defense. Today, you are leading a delegation of the State of Cambodia [SOC] on a visit to the DPRK and PRC. Please tell us about this visit.

[Chea Sim] I am leading a high-ranking SOC delegation to visit the DPRK from 6 to 9 July at the invitation of the Workers Party of Korea [WPK] Central Committee. Availing myself of this occasion, I would like to express profound thanks to His Excellency [H.E.] Marshal Kim Il-song, the outstanding leader of the Korean people, general secretary of the WPK Central Committee, and president of the DPRK; and H.E. Kim Chong-il, the beloved leader of the Korean people and supreme commander of the Korean People's Army. I will also pay a visit to the PRC during this trip, thus I would like to express profound thanks to the PRC Government for inviting me and my delegation.

[SPK] Could you please tell us about the objective of your first visit to the DPRK and PRC?

[Chea Sim] This is my first visit to the DPRK and PRC. This visit is aimed at expanding the friendship and cooperation of Cambodia and the Cambodian people with great China, the Chinese people, and the DPRK in line with our foreign policy of independence, peace, friendship, peaceful coexistence, and cooperation with all countries around the world, in line with the policy of permanent neutrality and nonalignment pursued by our CPP and SOC Government. Moreover, this visit proceeds at a time when our SOC is sincerely implementing, along with the support of the international community, the Paris agreement so as to advance toward achieving genuine peace and security for our people. I am still optimistic about the continued implementation of the 23 October 1991 Paris agreement despite temporary difficulties in this immediate period. Even if this is the case, the SOC still tries to implement this agreement because only by implementing the agreement can peace and security be brought to the Cambodian people. At the same time, I hope that this visit will contribute to the search for peace for the Cambodian people.

Availing myself of this occasion, I would like to appeal to all Cambodian factions to please (?understand) the misery and real interests of the nation and people who have suffered for over two decades by willingly joining in the implementation of the Paris agreement [words indistinct] His Royal Highness Prince Norodom Sihanouk, the father of the nation, head of the Cambodian state, chairman of the Supreme National Council of Cambodia, and father of Cambodia's national reconciliation, and believe in UNTAC [UN Transitional Authority in Cambodia] headed by Mr. Yasushi Akashi, the outstanding leader, so that we can advance toward achieving peace, security, and prosperity for our country and people.

I would like also to express my gratitude to and call on the international community to continue giving more active support and assistance, materially and morally, so as to join with the entire Cambodian people in implementing the peace agreement until achieving its final goal.

Party Paper Welcomes Visits

BK0807021792 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 7 Jul 92

[PRACHEACHON editorial: "Welcoming High-Level Cambodian Delegation's Visit to the DPRK and PRC"—date not given]

[Text] A high-level Cambodian delegation led by His Excellency Chea Sim, chairman of the Cambodian People's Party [CPP] Central Committee, National Assembly of the State of Cambodia [SOC], and National Council of the Kampuchean United Front for National Construction and Defense, left on 6 July for an official friendship visit to the DPRK and the PRC at the invitation of those countries. The Cambodian people believe that this first ever visit is an important event necessary for Cambodia's peace process and reconstruction.

The SOC's permanent neutral policy has been welcomed in all settings. So the Cambodian people are looking forward to opening a new page in the relations of friendship and cooperation, peaceful coexistence, and mutual respect for each other's interests between Cambodia and China and between Cambodia and Korea. This is the people's aspiration, particularly in a situation where the SOC is forging ahead with the Paris peace accord's implementation. Encouraged by assistance and support from everywhere, we have sincerely and actively executed the accord with a view to promoting the peace process toward holding just and free general elections in Cambodia, then rebuilding the country toward prosperity.

The Cambodian people, through the high-ranking Cambodian delegation—their genuine representative—wish to express profound gratitude and the true sentiment of friendship to the parties, governments, and peoples of China and Korea, which continue to provide increasingly effective moral and material assistance to the joint application of the peace accord to achieve the ultimate goal.

Indonesia

Talks With Malaysia on Disputed Islands End

BK0807035492 Jakarta ANTARA in English 0317 GMT 8 Jul 92

[Text] Jakarta, July 8 (OANA/ANTARA)—The Indonesia-Malaysia joint team on Sipadan and Ligitan islands Tuesday evening completed its talks on the disputed islands, which took place here on July 6- 7.

Director General of Political Affairs Wiryono of the Indonesian Foreign Ministry and Secretary General of Malaysian Foreign Ministry Tan Sri Ahmad Kamil Jaafar refused to disclose [to] newsmen the results of the meeting.

Wiryono explained that the discussion was focused on an agreement between the United Kingdom and the Netherlands in 1891. Both parties have fulfilled document to strengthen their claim on the islands.

"We have fulfilled documents to strengthen our claim on the islands and the Indonesian delegates have done the same," Kamil Jaafar said, adding that the document will be reported to the Indonesia-Malaysia joint commission which formed the team work in 1991.

The commission will meet again in September 1992. Indonesian Foreign Minister Ali Alatas will lead the Indonesian delegates and his counterpart from Malaysia, Abdullah Badawi, will lead the Malaysian delegates.

Military Promotions Linked to Future Changes

BK0607142392 Singapore THE STRAITS TIMES in English 6 Jul 92 p 13

[By Paul Jacob, Jakarta correspondent]

[Text] Jakarta—The Indonesian Armed Forces (ABRI), in a signal that changes to key positions in the military hierarchy are in the offing, last week promoted three service chiefs to the rank of four-star general. Four other officers were promoted to the three-star rank.

The surprise, however, was that the man most analysts saw as the front-runner to head the army eventually—and the possible future armed forces commander—was not among them. Major-General Wismoyo Arismunandar, commander of the Strategic Reserve Command (Kostrad) and related by marriage to President Suharto, remains a two-star general.

A focus of considerable attention by the press, diplomats and military analysts here for some time, he assumed his current position in August 1990.

Another round of promotions is, however, expected in several months' time, on or before the Armed Forces marks its 47th anniversary on October 5.

ABRI's latest announcement on Wednesday, given low-key coverage and carried without comment by some newspapers here, said Navy chief M. Arifin, 55, Air Force Chief Sibun, also 55, and Police chief Kunarto, 52, were promoted to the four-star equivalent rank of Admiral, Air Marshal and Police General respectively.

Prior to the promotion exercise, Army Commander Edi Sudrajat, 54, was the only four-star general among ABRI's service chiefs. Armed Forces Commander Try Sutrisno was the country's only other four-star officer in active service prior to Wednesday.

Some analysts suggested the promotions were aimed at giving the service chiefs "time enough to enjoy the rank" prior to retirement or being moved to other positions in government.

Speculation that the three could retire or be moved has been given credence by earlier reports that ABRI is of the view that service chiefs should be three-star officers.

Hence the promotion of four other officers to that rank on July 1 has generated an equal amount of interest. Their move would open positions at their level for further changes down the line.

Of the four, the promotion of Major-General Faisal Tanjung, 53, to Lieutenant-General is the most significant as he was said to have been Gen. Sudrajat's choice to succeed him. Lt-Gen Faisal, commander of the military's staff college, had the important and sensitive task this year of heading the Military Honour Council. It examined ABRI's shortcomings during last November's incident in East Timor when security forces killed at least 50 anti-government demonstrators in the provincial capital of Dili.

Analysts said Lt-Gen Faisal's task was made more difficult personally because one of the senior commanders replaced in the wake of the incident, Major-Gen Sintong Panjaitan, was a close colleague and a potential contender for the army chief's position—along with Maj-Gen Wismoyo. The scenario most drawn by analysts is that Lt-Gen Faisal could move to head the army with Maj-Gen Wismoyo as his deputy before eventually taking over the post.

Some analysts said elements in the military might not have been too pleased if Maj-Gen Wismoyo gained his third star at the same time as his seniors from the military academy and moved directly to head the army.

"Faisal's possible appointment to the army chief position would serve as an indication that Suharto is paying heed to military sentiment that there is a protocol that ought to be followed. Most recognise Wismoyo is capable and accept that he is a would-be army chief," a source said. "But I also do not think it would be wise if he were pushed up any sooner, the sentiments being what they are about family connections. He will be a man in the right place in future within the military at a time when Suharto completes his next term as president."

The other July 1 promotions were that of ABRI's Assistant Chief of Staff for Operations Sugeng Subroto and National Defence Institute governor Sukarto, both to the rank of Lt-General and ABRI Inspector-General Sumitro, to the rank of Vice Admiral.

According to one military analyst, one of Lt-Gen Sugeng's possible positions could be as the next chief of staff, a post now held by Vice-Admiral Sudibyo Rahardjo—who in turn is touted as a possible ambassador to Singapore.

The analyst suggested that Lt-Gen Sukarto could succeed Lt-Gen Harsudiono Hartas as ABRI's Chief for Sociopolitical Affairs, given that the defence institute's focus is on similar areas.

Vice-Adm Sumitro, who served on the National Investigation Commission appointed to probe the Dili incident could remain in his post.

"It is hard to know for certain what these promotions might bring in terms of who moves where," one analyst conceded. "The field is opened wider because of the other movements that might take place down the line."

Joint Air Exercises With Singapore Launched

BK0807094892 Jakarta ANTARA in English 0911 GMT 8 Jul 92

[Text] Pakan Baru, July 8 (OANA/ANTARA)—The Indonesia Air Force and the Republic of Singapore Air Force (RSAF) launched joint exercises here on Wednesday involving a variety of aircraft, including A-4 Skyhawk tactical fighters from both countries.

Indonesian Air Force Operation and Training Director First Marshall Richard Haryono opened the exercises at the Pakan Baru Airbase, saying that previous joint exercises have enhanced the operational capacities of both countries and have assisted the air forces in their task of protecting and defending their respective nations.

Flanked by Colonel Goh Yong Siang, head of the RSAF Air Operations, the director went on to say that the aim of the exercises, which will continue until July 14, was to increase the pilots' air-to-ground and air-to-sea firing techniques, as well as their other operational air skills.

The exercises make also use of the Indonesian Puma SA-330 helicopters and the RSAF's Bell helicopters.

Hercules C-130 planes and a special squadron of the Indonesia Air Force are being used for transportation purposes.

This is for the second time that joint exercises have been staged in Pakan Baru. The first joint exercises took place in 1985.

Cooperation Agreement Signed With Tunisia

BK0707122992 Jakarta ANTARA in English 1015 GMT 7 Jul 92

[Text] Jul 7 (OANA/ANTARA)—Indonesia and Tunisia signed an economic, technical and scientific cooperation agreement here on Tuesday, following a decline in the volume of trade between the two countries.

The three-language (Indonesian, English, and Arabic) cooperation agreement, was signed by the acting Indonesian foreign minister, L.B. Murdani, and the Tunisian state secretary for trade, Mongi Safra, at the Foreign Office in Pejambon, Jakarta.

The draft agreement was handed over by the Tunisian Government to Indonesia at a meeting of the Indonesian-Tunisian Joint Commission in Tunis in July 1990. The signing of the cooperative agreement took place after several draft exchanges.

The level of cooperation between the two countries has been very low, particularly in investment and technical cooperation, and the volume of trade in the last two years has experienced a drastic decline.

In 1989, trade reached a value of about $57 million, decreasing to $24 million in 1990. Since 1980, Indonesia has suffered a trade deficit with Tunisia.

At the fourth meeting of the Indonesian-Tunisian joint trade, economic and technical commission, which was opened on Monday, July 6, Junior Minister of Trade Sudrajad Jiwandono said that the cause of the decline was still unknown.

"I will make inquiries about the drastic decline, whether it was a consequence of the Gulf war or was brought about by other causes," he said.

The Indonesian-Tunisian cooperation agreement is an umbrella agreement and is a realisation of the spirit of cooperation among member countries of the Organisation of the Islamic Conference, the Nonaligned Movement and the G-77.

Laos

Sekong, SRV Provinces To Enhance Cooperation

Agreement Signed

BK0507074192 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 4 Jul 92

[Text] The administrative committees of Laos' Sekong Province and Quang Nam-Da Nang Province of the SRV recently and unanimously reached an agreement on more efficiently improving and strengthening cooperation in all fields, which both local adminsitrations deemed necessary. This cooperation would be on the basis of helping each other and serving mutual interests. They also agreed to strengthen the solidarity between the two provinces, which have been close neighbors with each other for a long time.

The agreement was signed during the friendship and goodwill visit to Sekong Province by the delegation of Quang Nam-Da Nang Province during 1-3 May. [dates as heard]

Memorandum Outlines Cooperation

BK0807043292 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 8 Jul 92

[Text] Recently, the administrative committees of the Lao province Saravane and the Socialist Republic of Vietnam's province of Quang Nam-Da Nang signed a memorandum of agreement on mutual cooperation and assistance in socioeconomic development of the two provinces. The development covers the fields of agriculture, communications, transport, construction, as well as other fields.

The memorandum states that both sides must rapidly improve methods to organize and implement their cooperation in order to make it more fruitful and so it conforms with current changes in each country. Furthermore, the two provinces must continuously expand cooperation in order to serve their mutual interests on the basis of enhancing the everlasting spirit of solidarity between the two countries.

Party Delegation Leaves for Visit to PRC

BK0607053292 Vientiane Vitthayou Hengsat Radio Network in Lao 0500 GMT 6 Jul 92

[Text] On the afternoon of 5 July, Maichantan Sengmani, Political Bureau member and chairman of the Party and State Control Commission of the Lao People's Revolutionary Party [LPRP] Central Committee, left Vientiane for a visit to the PRC at an invitation of the Party and State Control Commission of the PRC. The visit is scheduled to take place from 5 to 19 July.

Maichantan Sengmani was seen off at Wattai Airport by Thongloun Sisoulit, deputy minister of foreign affairs, and Mrs. Davon Vongsak, vice chairwoman of the State and Party Control Committee, along with a number of high-ranking cadres concerned. Huang Guocai, ambassador of the PRC to Laos, was also on hand to see him off at the airport.

ADB To Grant More Loans, Aid in Next 3 Years

BK0807095292 Vientiane KPL in English 0922 GMT 8 Jul 92

[Text] Vientiane, July 8, (KPL)—The Asian Development Bank [ADB] will provide 30 million dollars more fund to Laos in the next 3 years (1993-96) for industrial development in the country.

A visiting ADB official responsible for private sector loan service disclosed this when he visited the Sengsavang modern brick factory in Vientiane Municipality on July 6.

In the past years, the ADB has approved a 200-million dollars loan for Laos to invest in infrastructure construction, such as roads, water supply system, schools, hospitals, and others.

The central bank has issued 100 million kip from the same of the ADB loan to the Sengsavang modern brick factory for improving its business operation.

Of the ADB 30-million dollars fund, 25 million will be in loan and 5 in grant aid forms. Some of the loan will be additionally made available to the factory, while the grant aid will be used for training of bank personnel and for procurement of equipment.

The ADB offirial arrived in Vientiane late last week for a working visit as guest of the central bank and will leave here late this week.

Somlat Chanthamat Attends Trade Union Meeting

BK0507040492 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 4 Jul 92

[Exerpt] The third conference of the grass-roots trade unions attached to the Ministry of Information and Culture was convened on 4 July with the attendance of Somlat Chanthamat, head of the Propaganda and Training Board of the Lao People's Revolutionary Party

Central Committee. Also attending the conference were more than 100 delegates, representing some 800 cadres and workers working in 13 grass-roots offices, units, and news and cultural services under the ministry.

Paseut Sisanon, speaking on behalf of the executive committee governing the trade unions under the ministry, presented a report on the situation of trade union work in the past eight years. [passage omitted]

Foreign Investment in Past Six Months Noted

BK0707113492 Vientiane KPL in English 0902 GMT 7 Jul 92

[Text] Vientiane, July 7 (KPL)—As a result of the party-state policy of economic liberalization and of the improvement in working procedures which provide more facilities to foreign investors, over the past 6 months foreign businesses have made investment in 49 projects amounting to over 77 million dollars.

The projects include five agricultural projects of more than 5 million dollars, 24 garment production projects of over 8 million dollars, three wood processing projects of over 6 million dollars, 11 small industrial projects of over 17 million dollars, three mining and oil exploration projects of 18 million dollars, three import-export projects of over 400,000 dollars, four hotel, tourism, and restaurant projects of over 4 million dollars, one banking project of 5 million dollars, two construction projects of over 10 million dollars, two transportation projects of over 200,000 dollars, and one consultant project of 30,000 dollars.

Since September 1988, foreign investment projects in Laos have reached 225 with a total cost of more than 392 million dollars.

Two Districts Transferred to Bokeo Province

BK0807072492 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 8 Jul 92

[Text] Pak Tha and Pha Oudom Districts in Oudomsai Province have been placed under the administration of Bokeo Province with the approval of the Supreme People's Assembly [SPA] in its resolution No. 005/SPA dated 1 June 1992. The signing of a document to mark the handover of the two districts was officially held in Bokeo Province on 5 July. Thongphan Keophosai, governor of Bokeo Province, and Mounti Saibounheuang, vice governor of Oudomsai Province signed the document. The signing ceremony was attended by high-ranking cadres from the central organizing committee and the Economy, Planning, and Finance Ministry, along with a number of authorities concerned from the two provinces.

At present, Bokeo Province is composed of five districts covering 404 villages with a total population of 95,000.

Philippines

Armed Forces To Defend Territory, Spratlys

HK0807023092 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 7 Jul 92

[Text] The Armed Forces of the Philippines [AFP] will defend its territory, together with the Kalayaan [Freedom] Islands, against those who are planning to invade.

General Lisandro Abadia, AFP chief, said Philippine Marines have already been permanently deployed at the Kalayaan Islands in order ensure the country's security.

The Kalayaan Islands are part of Philippine territory in the Spratly group of islands located off the South China Sea. Some countries like China, Malaysia, Indonesia, Vietnam, and Taiwan are fighting for these islands because of oil.

Country Rated Among 'Best Business Locations'

HK0607053892 Manila THE CHRONICLE in English 6 July 92 p 11

[By Leticia Perez]

[Text] The Philippines has been listed among the world's best business locations with South Korea, Hong Kong, Singapore, Taiwan, and Thailand.

The group is called the "Far East Tigers," believed able to outbid Eastern European countries in attracting foreign capital. These tigers comprise the second rung of best business locations, after that group composed of the United States, Europe, and Japan.

The Philippines as an investment site was rated in "Best Business Locations 1991-1992" published by Internationale Wirtschaftpublikationen, Munchen/Germany in cooperation with World Link. World Link is a magazine of the World Economic Forum of Geneva, Switzerland.

The listing in itself promises that the country can draw massive direct foreign investments if it can shed its poor image as a business area abroad.

It also lent credence to the optimism of the Center for Research and Communication (CRC) that if political and economic stability were in place, foreign direct investments can grow subtantially over the short and medium term.

While the compilation did not go into detailed country comparative analysis, one of its writers, Professor Dr. M.J. De Meirleir, resident director of the European Regional Industrial Development Organization (ERIDO), indicated low-cost skilled labor as an advantage.

Meirleir said the "Far East Tigers," the second group of winners in the localization of global business, can take advantage of the transnational companies' drive to search for new markets, cost awareness and need for bigger profits.

"Most of these countries have low cost but skilled labor available in abundance, permitting a further step on the ladder of economic development and the increase in the standard of living.

"The changing importance of locational factors and even more so the growing competition between the companies of the three great power regions of the world have made them turn to the Far East for joint-production, import of supplies and export of consumer goods and machinery," Meirleir said.

The three great power regions, the first group of winners, were United States, Europe and Japan.

These winners enjoy the advantage of being highly industrialized nations which can establish secure access to new sources of supply and skilled but low cost of labor.

These industrial nations also create large markets for themselves in countries where they buy goods and use local labor resources for assembling or production.

"While in principle the three major industrialized regions transform production from manufacturing towards automation and robotization in order to increase their standard of living, at the same time they rely more and more upon supplies, parts, sub-assemblies and even simple and cheap consumer goods from the less developed countries," Meirleir said.

Nowhere on the list of winners are any of the countries in Africa. Those on the list are mainly from Bangladesh and Vietnam.

These countries, while they may have the raw materials, do not have the financial and technological means to produce independently. They are dependent on industrial countries to provide the means to explore and exploit resources, Meirleir said.

"Due to lack of political stability and economic soundness, an appeal for direct foreign investment or loans from the financial world or the World Bank has little chance of being heard," he said.

In principle, Meirleir said the drive of transnational corporations is very positive. But while networking will help reduce world conflict, it will also reinforce the position of the industrialized world against the third world.

"In view of the rich getting richer and the poor getting poorer, the West and Japan have an increasing responsibility.

Mini-Presidential Offices Part of Decentralization

HK0607041592 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 5 Jul 92

[Text] Mini-Malacanangs are going to be built in both Davao and Cebu. The mini-Malacanangs are going to be built as part of the government's decentralization program. (Rettie) Pelaez will be the presidential assistant at the Cebu Malacanang and Paul Dominguez will be in charge of the Davao Malacanang. Ramos has also appointed Jesus Ayala as a presidential consultant for Region II.

The palace hopes that with the two additional presidential offices, the government will have enough time to answer the needs of the people in the Visayas and Mindanao. [sentence as heard]

News Conference To Replace TV, Radio Forum

HK0807023292 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 7 Jul 92

[Text] Malacanang plans to scrap the "Ask the President" program, a television and radio forum that aims to enable the president to bring the government's projects to the people and answer their questions on important issues.

Press Secretary Rodolfo Reyes said the program is too slow and inadequate to enable the media to reach the president so he can answer question on government issues.

Reyes said a weekly news conference is planned in its stead to allow all media people access to the president.

Secretary Urges Increased Tax Collection in 1993

HK0807091292 Quezon City Radyo ng Bayan in Tagalog 0400 GMT 8 Jul 92

[Text] The government has to improve its tax collection in order to pay for the government's operations for the year 1993.

In a cabinet meeting yesterday, Budget Secretary Salvador Enriquez presented the proposed budget for 1993 amounting to P322.8 billion [pesos]. Enriquez said the new budget needs an additional P17 billion in new revenue. He added that the new appropriation will go to debt service and implementation of the local government code.

[Begin Enriquez recording, in English] Before, we allotted only P19.71 billion for local government units in 1992. Today, we have allotted about P36 billion for the provinces and municipalities. This alone registers a budget increase of about P17 billion. [end recording]

Ramos Approves Debt Reduction Package

HK0807024392 Manila BUSINESS WORLD in English 8 Jul 92 p 1

[Text] President Ramos yesterday ordered the country's debt negotiators to conclude the $4.8-billion debt-reduction package with commercial back creditors.

Briefing reporters after the Cabinet meeting, Central Bank [CB] Governor Jose Cuisia, Jr. disclosed that the signing of the agreement is scheduled for July 23 or 24, either in Tokyo or in London.

"Basically, the bank advisory committee, (with) just about 11 members, will represent the rest of the international banking committee," the CB governor explained.

Under the debt package, Mr Cuisia said the country's total debt burden will be decreased by as much as $1.2 billion. "It's a net effective debt reduction because the gross is $2.4 billion. However, we will have to be borrowing some funds that we will use to collateralize the funds. So the net is about $1.2 billion," he explained further.

He added, "If, however, we use some of our resources as collateral, as we have done in the past, that net effective debt reduction could be $1.5 billion."

Asked if the Philippine Nuclear Power Plant debt papers were included in the deal, Mr Cuisia answered in the affirmative. But he qualified: "...let me point out that only one bank has been identified as having possible—I underline possible—involvement because that is still to be proven."

The CB governor reported that as of March 1992, the country's debt stood at $30 billion. "That already includes debt with multilaterals, which is about 20%; 30% is with bilaterals and about 38% with commercial banks."

He said that of the total commercial debts, only $4.8 billion is included in the debt reduction package. "This covers the medium-term consolidated public sector debt," he said.

The total owed to banks, he said, is $11 billion. "But for this restructuring, only $4.8 billion is involved," he stressed.

Aside from the debt reduction, Mr Cuisia said the country will be getting "very long repayment terms. We will have 25 years under the principal collateralized bonds, 15% for the temporary interest rate reduction bonds, and 17% for the new money bonds."

Stretching out

What the Government is doing with the debt reduction package, the CB official further explained, is it is stretching out the repayment terms and getting lower interest rates aside from the debt reduction. "These are really the objectives of this debt deal," he said. Mr Cuisia hopes that the new money component of $115 million will be available before yearend.

Finance Secretary Ramon del Rosario, who was present in the same press conference, said: "The conclusion of the review (of the debt package) really is that it is best for us, as a country, to remain within the economic stabilization program that is now in place and which is scheduled to come to an end at the end of the year."

"We think that is important because it is when we remain under such a program that you can have access to all sorts of financing sources and we are moving into a normalization of our access to what we call the voluntary credit markets," Mr del Rosario explained.

He said the country will have better access to funds to accelerate development with the tack the Government is following in terms of economic development.

"It is also important to bring our companies into contact with the foreign financing market so they, too, can augment the funds available to them."

Secretary Confident of Economic Stabilization

HK0807051792 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 0400 GMT 8 Jul 92

[Text] Budget Secretary Salvador Enriquez Jr is confident the Economic Stabilization Program will be completed by December 31.

By this time, he said, measures will have been finalized to reduce debt servicing and it will be easier to find the funds needed for infrastructure projects essential for economic development. But in the meantime, he said, a lot of projects need to be put off.

[Begin recording] [Enriquez] Unless there is a change in the flow of money, you need to worry about future expenses. [end recording]

NDF Drafts Counterproposals to Amnesty Offer

HK0607132092 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 6 Jul 92

[Text] The National Democratic Front [NDF] has drafted counterproposals in reply to the amnesty proposals of the Ramos government. DZRH Unit No. 1, Rodney Jaleco for the details:

[Begin recording] The National Democratic Front has drawn up counterproposals to the Ramos administration's proposed amnesty offer to all rebel groups.

According to an intelligence report, the Communist Party of the Philippines-New People's Army-NDF will ask for the immediate suspension of military offensives, the granting of protection to returning rebels, government livelihood programs for former rebels, genuine agrarian reform, the return of soldiers to barracks and the disbandment of vigilante and paramilitary units.

Brigadier General Romeo Padiernos said the initial refusal of Jose Maria Sison of the Ramos government's offer of amnesty and executive clemency was premature and indicated that the communists were not interested in a peaceful solution to the insurgency problem in the country. But the NDF proposals indicate a division between the rebel leaders living abroad and the rebel leaders in the Philippines.

The NDF position was gleaned from intelligence reports on the recent NDF plenum in Bais City, Negros Oriental. [end recording]

Leader Calls for Total Amnesty

HK0707034892 Manila THE CHRONICLE in English 7 Jul 92 p 7

[By Armand Nocum]

[Text] Isabela, Basilan—Former MNLF [Moro National Liberation Front] commander and Governor Abdulgani "Gerry" Salapudin has urged President Fidel Ramos to grant unconditional amnesty to Communist and Moro rebels.

He said that is the only way the new government can rid the country of its insurgency problem.

Salapudin said the proposal could work effectively with rebels belonging to the Moro Liberation Front who are politically oriented.

"It should be a general and absolute amnesty because to them (the MNLF rebels), they have not done anything wrong. Theirs (rebellion) is not a crime as far as they are concerned. They believe that they were only fighting for political rights and freedom," he told the INQUIRER.

Salapudin said that any grant of amnesty, short of an absolute one, would render ineffective Ramos' initial announcement of granting amnesty to rebels.

"These people have killed, wounded and affected the lives of other people. They have destroyed properties belonging to the government and the people, they would not be that willing to lay down their arms unless they are totally pardoned so they can live a new life," he explains.

He also suggested that the government should give meaningful and sustained help, more than the one-time livelihood program.

"The new government must now come up with more realistic livelihood programs, such as a long-term and multi-facted program. We must remember that these people will be encountering much hardship going back to the mainstream of society."

He also proposed thorough government decentralization and the infusion of all government funds in the depressed areas of the country, like Basilan.

"Although the communist problem is ideologically different from the MNLF problems, all these problems reolve around two basic causes—economic and political dissatisfaction," he said.

He said that the insurgency problem in Basilan would not have grown larger had the government developed Basilan as it did Manila and Cebu.

Salapudin was the chief of about 2,000 Muslim rebels in Basilan when he came down from the hills in 1984.

He asked the Ramos government to take up the offer of MNLF chairman Nur Misuari for peace negotiations. Salapudin offered to facilitite the negotiation, "if I will be tapped by the government."

"You see, Misuari mistrusts this new government because it is headed by an executive who had strongly participated in the implementation of Martial Law. However, I hope that he will change his view of Ramos. He must see Ramos from a new light. Times have changed, so may have Ramos," he added.

Ramos: First End to Military Action

HK0807012992 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 7 Jul 92

[Text] President Fidel Ramos is in favor of ending military operations against communist rebels before starting dialogue with them.

Presidential spokesperson Annabelle Abaya said this was the president's reaction to the conditions set by the Communist Party of the Philippines-New People's Army [CPP-NPA] on the government's proposed amnesty program.

The CPP-NPA in Central Visayas had earlier said the government should stop military operations as a condition to its acceptance of the Ramos government's amnesty offer.

She also clarified that although Ramos has named Tarlac Representative Jose Yap as a mediator to bring the government and the communist rebels to a dialogue, the chief executive still has the last say on the issue.

Abadia Rejects Rebels Return to AFP

HK0807064392 Manila THE CHRONICLE in English 8 Jul 92 p 1

[By Bert Castro and Redempto Anda]

[Text] General Lisandro Abadia, chief of staff of the Armed Forces, is seeking authority to reject the return to active military service of fugitive Col. Gregorio "Gringo" Honasan and other ranking leaders of the rightwing movement.

At a press conference, Abadia said Honasan and his group may seek to spread their ideological cause again if allowed to rejoin the AFP [Armed Forces of the Philippines] after being granted amnesty by the Ramos government.

"We cannot accept back all rebels who would be granted amnesty, particularly those already infected with the interventionist virus... (it) will be a big risk to the AFP," he said.

Besides, Abadia said, a personal "problem" had arisen with Honasan when the rebel leader accused him recently of being a "traitor and a coward." Honasan had complained that Abadia brought along security men when the two of them met secretly sometime last year, violating a supposed agreement for a one-on-one dialogue.

"There is a problem with Honasan because he accused me of treachery. If he will not apologize to me for that blatant accusation which had no basis, then perhaps somebody else will have to talk to him, not me," Abadia said.

Abadia also ruled out the return to the service of a former Honasan ally, Lt. Col. Eduardo Kapunan, saying the latter would be retired if granted amnesty.

But Abadia said he had no objection to the grant of amnesty to Honasan and his followers. He said the amnesty will remove the group's criminal liability and would even allow them to retire or resign and receive all legal benefits as if they had not committed any criminal wrongdoings.

"But I would object to their return to the AFP, unless President Ramos ruled the other way around," Abadia said.

Abadia was interviewed immediately after hosting a luncheon-press conference welcoming the new members of the Defense Press Corps headed by Jose Capadocia of the 'Manila Times'.

Abadia addressed his request to be allowed to bar the return of Honasan to the AFP to a newly created executive-legislative committee, which has finished drafting an amnesty package for all rebels, including the communists and the secessionist Moro National Liberation Front.

Abadia said the draft of the amnesty package has been submitted to the Office of the President, but he declined to reveal its contents.

He explained that rebel soldiers who would be allowed to return to the military mainstream will still face disciplinary measures and will be charged with absence without leave (Awol) and other related administrative offenses.

Rep Jose Yap, who has just been named by Ramos as government emissary to the leftist underground, said the planned peace talks with the communist National Democratic Front [NDF] will be exploratory in nature.

"We will talk and find a common ground. (We will) probably...ask what (the rebels) want, what are their demands and see if (the government) can grant some of these," Yap said, noting that the demands made public by the rebels had been "very general" in nature.

Yap, who held talks with NDF leader Jose Ma. Sison in the Netherlands last year, said the government plans to ask the NDF to dismantle the New People's Army [NPA] in exchange for the grant of specific demands.

However, he warned of a possible problem concerning leftist rebels facing criminal charges in court.

He said the government cannot provide amnesty to leftist rebels already arrested and detained by the military since they are already considered as common criminals.

Yap said it would be difficult for the government to grant amnesty to leftist detainees because they already face criminal charges such as illegal possession of firearms or murder.

"(The rebels) were asking why they should be charged with common crimes (like) illegal possession of firearms when (carrying firearms is connected) with their struggle against the government," Yap said.

He said the rebels demanded that they should instead be charged with rebellion.

Yap also said setting conditions before holding a dialogue with the rebels might jeopardize the talks.

His opinion was shared by Sorsogon Rep. Bonifacio Gillego, who was a member of the team that held talks with the NDF in the Netherlands. In a separate interview, Gillego said that "total and unconditional" amnesty to all political prisoners is the only way to bring the NDF leadership back to the negotiating table for a peace settlement.

Gillego said the government should first "set the necessary atmosphere" for the talks.

Gillego noted that the NDF leadership is itself divided into two "ideological camps," one of which believes in "granting political struggle equal importance as the armed struggle."

A unilateral move by the government to grant unconditional amnesty, according to Gillego, will encourage "even the hardliners" in the NDF to enter the peace talks.

"We should be concerned more with the fact that such a split in the NDF's strategic thinking is taking place inside their organization," Gillego said.

He explained that, while NPA units in the provinces maintain a "radical stance," the leadership in urban areas, such as Metro Manila and Rizal, favor giving equal importance to "using peace negotiations with the strategic view of winning through political struggle."

But Gillego stressed that the government's conciliatory gesture must be accompanied by "well-meaning reforms" along the line of promoting social justice through programs such as agrarian reform.

He noted, for instance, that the proposal to amend the Comprehensive Agrarian Reform Program (Carp) and increase the limit to landholdings is "counterproductive."

"Even us in the progressive bloc of Congress will oppose such a move," Gillego said.

The peace negotiations, if successful, will only be the second time the government will be able to engage the Left in formal talks.

The first peace negotiations, held in 1986 following the ouster of the Marcos administration, bogged down because of both sides' failure to agree on a common agenda for the talks.

The government panel, which included former Speaker Ramon Mitra, had insisted that the rebels lay down their arms as a condition for further talks.

The NDF panel, headed by detained leader Satur Ocampo, had demanded the withdrawal of the U.S. military bases, the enactment of a "genuine agrarian reform program" and other social-justice programs designed to address the "root causes" of the insurgency.

Gillego also warned that any talks would not succeed, unless the military establishment and the NDF "outgrow its distrust against each other."

"If this bias is not overcome, the peace talks is bound to fail," he said.

Rebels Form Businesses To Help Finance Fight

HK0807073092 Manila MANILA BULLETIN in English 8 Jul 92 p 5

[Text] Communist rebels in Mindanao have formed fishing and barter trade companies, from which they earned about P1.3 million [pesos] last year, to shore up their sagging finances.

Brig. Gen. Romeo A. Padiernos, commanding general of the Armed Forces Civil Relations Service (AFP-CRS), said his command has uncovered and is closely monitoring the business ventures of the CPP-NPA [Communist Party of the Philippines-New People's Army] Northern Mindanao Regional Party Committee (NMRPC).

He said their fishing venture alone earned about P1.3 million last year. They have also formed a "barter trade group" to supervise their deep-sea fishing and barter trade companies.

The rebels are also building "trade posts" in various parts of the region to support these business activities, reports indicated.

Padiernos said the NMRPC has resorted to generating income from non-conventional sources because of their dwindling collections from "progressive taxes" in the wake of sustained military operations in Mindanao.

The offensives, he said, have dried up support for the insurgents or disrupted their normal cash flow from NPA influenced or controlled villages.

As military operations free insurgent-affected areas, people have stopped paying the "taxes" to the NPA. Padiernos said the "progressive taxes" were just a coverup for extortion activities that are often enforced at the point of the gun and add to the economic hardships of the people in the rural communities.

Padiernos also revealed that the Southern Mindanao Regional Party Committee's Special White Area Territory (SWAT) held a week-long meeting at the Villa Victoria Beach Resort in Talomo District, Davao City.

The meeting was reportedly attended by all the secretaries of the various White Area Committees and White Area Commands under the KOMMID [expansion unknown] jurisdiction.

He said the CPP-NPA is busy assessing its future following repeated setbacks in the field. Reports indicate that nearly all CPP-NPA organs have failed to achieve growth targets since the start of the year, a situation that has alarmed their ruling Central Committee, Padiernos said.

But he stressed that their failure to solve ideological and strategic disputes, the sustained military action, the capture of their leaders, and inability to fully explain to cadres the implications of communism's decline in Eastern Europe and the defunct Soviet Union pose insurmountable obstacles that would lead to the collapse of the CPP-NPA.

Thailand

Asa Urges ASEAN Not To Worry About Japanese

BK0307050892 Bangkok THE NATION in English 3 Jul 92 p A5

[by Cristina Pastor]

[Text] Manila—Thailand has urged Asean "not to worry" about a possible resurgence of Japanese militarism, even as Singapore and the Philippines expressed reservations over the recent passage of a bill allowing Tokyo to send peacekeeping troops to troubled countries.

"We ought not to worry too much about Japan going back to being an old imperialist power," Foreign Minister Asa Sarasin said on Wednesday in an interview here where he attended the inauguration of Philippine President Fidel Ramos.

He said Japan has been a "stabilizing force" in the region, and praised its people as "contented" citizens who are "not at all aggressive".

Japan, according to the two-time foreign minister, had attacked certian countries in the region in a bid to "protect" its interests.

Now emerging as a formidable economic power and dispensing generous developmental assistance to needy countries, Tokyo has no need for aggression, he said.

"During the war, Japan needed natural resources to maintain its industries, so they went around conquering countries. Now, they invest in other countries," Asa said.

Asean reactions to the passage of the "troops bill" ranged from extreme caution to hysterics. Singapore warned of a revival of Japanese militarism.

Manila's position reflected a state of confusion in the executive branch. A spokesman for outgoing President Corazon Aquino has said the country would be "comfortable" and would not have to worry about how Japan would carry out its new military responsibility.

A few days later, a Philippine foreign ministry official expressed the government's "concern' over this "dangerous" bill.

Asa noted the absence of an Asean consensus on the matter, and said it would most likely be taken up during the Asean post-ministerial dialogue with Japan here from July 21 to 26.

"Each of us has different views. There is no emerging consensus," he said.

He said Thailand has "no objection" to Japan joining the Un peacekeeping ensemble in Cambodia, just as he beleives the new administration that will take over in Septemebr would "adopt the same position".

"In our region, Japan is an economic power, a world power," he said, emphasizing the country's responsibility towards maintaining a harmonious international order.

Fishermen Missing After Burmese Attacks

BK0307050592 Bangkok THE NATION in English 3 Jul 92 p A2

[Text] About 200 Thai fishermen are missing, two others are dead and one injured after two separate attacks by Burmese people on their trawlers late last month.

A fisherman was killed and another injured as they and about 200 other fishermen from 11 vessels, which were anchored at the Burmese island of Loghborough, were attacked by Burmese warships on June 15, a fishery department official said yesterday.

The Burmese warships sank nine of the Thai vessels and one other was forced aground on the shore. The other vessel was missing, the official said.

Eighteen reportedly surrendered to the Burmese authorities. The whereabouts of the rest of the fishermen are not known.

The missing fishermen may have taken refuge with a Thai company operating a business on the Burmese island, the same source said.

In a separate incident, a Thai vessel called Po Chokeksamut 9, carrying about 16 fishermen, was attacked in Burmese territorial waters on June 4, allegedly by Mon people as it had trawled in Mon areas and destroyed their fishing nets.

Four boats carrying about 40 Mon soldiers aproached the Thai vessel, apparently to try to claim for the damage. After a brief discussion, the two sides opened fire on each other.

The Mon boats reportedly fired rocket-propelled grenades at the Thai vessel which set it ablaze. The source said other Thai boats trawling near the spot rushed to help fight the Mon.

The Thais captured two of the Mon boats while the other two fled the scene. The Mon soldiers on the two boats were believed to have been murdered, the source said.

One Thai fishermen was killed in the incident and the rest were still missing, the official said.

Anan Condemns Corruption in Phone Concessions

BK0307013992 Bangkok THE NATION in English 3 Jul 92 p A1, A2

[Text] Prime Minister Anan Panyarachun turned yesterday's contract-signing ceremony for the provincial telephone expansion project into one of his most explicit onslaughts against corrupt practices in the awaring of government concessions.

After giving a 20-minute speech following the signing of the multibillion-baht contract, Anan told reporters if a government leader is honest, there will be less corrupt practices in government circles.

Asked if he would take action against corrupt officials, Anan said: "All of you know that in Thailand there are no receipts (for bribes or evidence of wrongdoing). It's then difficult to get the offenders.

"However, if a government leader and ministers in charge are honest, there will be less corruption. We must find honest people to take up the responsibilities."

The premier's statement followed his onslaught against government officials who sided with business to take advantage of the public by accepting unfair financial offers from private firms awarded lucrative concessions in return for personal gain.

In his speech, the premier implied that some top officials of the Telephone Organization of Thailand [TOT] were at fault.

The speech drew loud applause from more than 100 government officials and businessmen who witnessed the contract-signing ceremony between TOT and Thai Telephone and Telecommunication Co (a Loxley-Jasmine consortium). It was one of the strongest attacks yet against shady government concession deals in this country.

Anan recalled the October 1990 Cabinet decision awarding the original three-million telephone line proejct to a private firm—a move that caused a public outcry because of alleged secrecy and a lack of transparency in government decision-making.

"That incident was used as a reason (by the military) in staging a coup to overthrow the then-elected government (of Chatchai Chunhawan) on Feb 23, 1991," he said, adding that his following administration, under the shadow of National Peacekeeping Council [NPKC], moved to review its predecessor's decision.

The procedures by which the successful bidder was chosen were re-examined and the government found the terms of reference were too loose to ensure evaluation of the bids could have been conducted on a basis that would protect the public interest, he said.

The government re-negotiated with the successful bidder, Charoen Phokkhaphan Group [CP], and convinced the firm to increase the revenue-sharing percentage for the government to 16 per cent from six per cent of total revenue.

"The results showed that bid evaluation (as conducted previously) was not on the basis that the governemnt would get the maximum benefits. Competitors were disqualified without enough reason," he told the audience.

The government also invited local and foreign experts to again study the entire project and later agreed it was not proper to award the whole concession for the installation of three million phones nationwide to a single investor.

He said Transport and Communications Minister Nukul Prachuapmo and other senior officials were then assigned to negotiate with CP Telecom Co to reduce the scope of its project.

He said Nukun and other faced strong opposition within and outside the TOT and eventually he had to personally negotiate with the firm. The firm agreed to limit its project to Bangkok and peripheral areas for the installation of two million lines after the premier's intervention.

"It was a controversy back in mid-1991, given the fact that my government was then under the supervision of the NPKC. CP agreed not to take part in the provincial concession either directly or indireclty," he said, adding that his decision at that time faced strong criticism from some people.

Anan said according to some critics it was not right to review a project already approved by the previous government, nor was it good to split the project into two concessions.

However, four groups of companies later submitted bids for the provincial project and this concession was eventually awarded to the Loxley-Jasmine consortium which proposed revenue-sharing of 43 percent, far higher than the percentage given by CP.

Now it could be approximated that the government would receive an additional revenue or would save about Bt200 billion over a 25-year period. This amount is equivalent to half of the government's expenditure budget for this year.

"The figures should remind the public of the extent of damage that could be caused by shady behaviour of some government officials who chose to help private firms to win concession projects at the expense of the people at large," Anan said bluntly.

Nukun later described the premier's statement as clear and said if officials felt they had committed wrong, they should consider resigning.

TOT managing director Phaibun Limpaphayom, a central figure in the phone controversy, refused to comment after signing the contract on behalf of the TOT.

"I don't know. Please don't link me (with the controversy)," said Phaibun who maintained a serious expression throughout the signing ceremony.

The contract was signed at 3 pm at Government House.

Chatchai Refuses To Accept Party Leadership

BK0207135792 Bangkok Army Television Channel 5 in Thai 1230 GMT 2 Jul 92

[Text] Former Prime Minister General Chatchai Chunhawan has refused to accept the Chat Thai Party leadership, citing his old age and political reasons. However, he will consider the matter again later. General Chatchai Chuhawan arrived at Don Muang Airport this morning. He was welcomed by a group of Chat Thai Party members. On the occasion, the former Chat Thai party leader also reiterated to reporters that he has no conflict with Banhan Sinlapa-acha, secretary general of the Chat Thai Party; they are both still fond of each other.

Editorial on Army Pledge of Neutrality in Election

BK0207104192 Bangkok NAEO NA in Thai 2 Jul 92 p 4

[Editorial: "The Armed Forces Role and the Election"]

[Text] In the wake of the announcement of the royal decree dissolving the House of Representatives and fixing 13 September as the election date as well as a statement from the Prime Minister's Office explaining the details of the process, the Armed Forces came up with a statement concerning the Army's attitude toward the coming election. The deputy Army chief of staff said that the Army would assume a neutral position and will assist the government's public relations campaign for the election by offering the service of its media—radio and television stations—to publicise the election and urge the people to exercise their voting rights.

On the surface, it looks as if the Army, with a long tradition of political involvement since the political change 60 years ago, is now withdrawing from politics to focus on its mission, something everyone has longed to see. However, the deputy Army chief of staff admitted that he did not know in which manner the Army could be neutral, but he said the people can monitor the soldiers' deeds to see if they keep their promise. In fact, there are Armed Forces units at various levels, and there was no denial that only recently the military interfered in politics by setting up a certain political party to perpetuate its control on political power, the attempt which led to a recent crisis as everyone knows.

Reporting on the instructions given by the Army commander, the deputy Army chief of staff said the major role and responsibilities of soldiers are: protecting the monarchy, national sovereignty, and internal security; and contributing to national development, especially the royally initiated projects. While other points are acceptable, the point on soldiers' duty of safeguarding internal peace and security needs clarifications because the people want to know whether this encompasses suppression of the people during political protests and rallies, such was the case of the 17-20 May events.

There was a proposal that the Armed Forces should come under the control of the government—the prime minister and his cabinet—that any use of force must first get an approval from the cabinet and the prime minister in his capacity as supreme commander. If that was the case, it would be difficult, or impossible, from now on to stage a coup d'etat. Concerning the service of soldiers in national development, this is what the people highly appreciate. Soldiers have all the equipment and manpower, and their performance in this area has yielded good results. Examples are the program for greening of the northeast, and the Sukhaphiban-Ramkhamhaeng road project in Bangkok—the large concrete road built by Army engineers was of the same quality as those constructed by construction companies.

Concerning a suggestion by the deputy Army chief of staff that soldiers are ready to assist in public relations campaign for the elections, we would like to remind the military about a previous remark made by Prime Minister Anan Panyarachun that soldiers should have no role whatsoever in the forthcoming elections.

Anan: Economy 'Stable' Despite May Unrest

BK0407062292 Bangkok Radio Thailand Network in Thai 0000 GMT 4 Jul 92

[Text] Prime Minister Anan Panyarachun has said the Thai economy is very stable despite the unexpected situation in May. Speaking to reporters yesterday at Government House after receiving Citibank Board Director (John Leak), he said the executive of the world's biggest bank visited Thailand because he had confidence in the Thai economy and realized that the May unrest was a political incident that banking circles did not consider economically significant.

Asked about formation of a government after the election, the prime minister said:

[Begin Prime Minister Anan recording] Many people, including the visitor, asked about the new government after the election. I told him that although the new Constitution will stipulate that the prime minister be an elected member of parliament, the current Constitution does not prohibit appointment of nonelected Cabinet ministers. From what I have learned about views of politicians from various parties, they are aware of the importance of the Finance Ministry. Therefore, it is probable that the new government, which will consist mostly of politicians, will also include outsiders as ministers of the ministries related to economic affairs. This issue is up to the political parties to discuss. [end recording]

Anan: Investigation on Violence To Yield Results

BK0707011592 Bangkok BANGKOK POST in English 7 Jul 92 p 1

[Text] Prime Minister Anan Panyarachun yesterday insisted official investigations into the shooting of pro-democracy protesters will yield concrete rresults.

His comments followed criticism from the Campaign for Popular Democracy and pro-democracy figures that the Government and the Defence Ministry inquiry committees have shown bias in favour of military leaders who ordered troops to open fire on unarmed protesters.

They fear the inquiries will not result in any action being taken against those who issued the order.

Mr Anan said the Government is actively pursuing the investigation but it may not be fast enough for some groups.

He said the tragedy shook everyone in the nation although those who lost relatives were shaken the most.

"We are trying, but it is not easy," he said.

Mr Anan said he did not feel anything about the criticism. He has confidence in both committees which comprise respected people who must be given freedom to do their work independently. Then he will see what their reports say.

People should not fear that the committees will not do this or that, he said.

The Thai Press should not use the statements of different people to evoke a reaction from others or the matter will never end.

Mr Anan said he realise people have placed their hopes on him to defuse the "time bomb" quickly.

"But you have to give me some time. I accept that this is a problem that is a duty for the Government to resolve."

Mr Anan said people face many problems and the May tragedy is an immediate problem which he hopes can be resolved before the election.

Earlier, more than a thousand people were reported missing after the events but the number is down to about 280, he said. Of these, some have probably turned up but have not told the authorities.

Eight university and other non-government organisations put the figure at more than 700, while sharing the view that some may have returned homw without letting anyone know they were safe.

Mr Anan said he has told the authorities to summarise reports on the missing for Cabinet's meeting today.

"This is to see whether or not the Centre for Missing Persons operated by the eight institutes and the Confederation for Democracy has done its work completely."

He said if there is any way the Government can help it is willing to consider giving assistance.

Mr Anan, asked about efforts to restore Thailand's image abroad, said his talks with foreign businessmen revealed they are not worried.

"You can see from television that everywhere else in the world they have their problems. And we can tackle ours."

Mr Anan said he has not given any general election directions to the Interior Ministry and the PollWatch Commission which met yesterday. They are free to consult others to devise proposals for the Government, he said.

In other developments, Army Deputy Commander-in-Chief Gen Saengsnit said before leaving for the United States for eye treatment that whether or not the Armed Forces chiefs should be transferred is a decision of the Defence Ministry and the supreme commanders.

Soldier will have no problems with any order they give, he said.

Asked whether the rank-and-file will protect the Armed Forces commander, Gen Nirot said he did not think so. Whether the commanders are transferred depends on their superiors.

Soldiers are no longer involved in politics, he said.

Gen Wirot, asked whether the supreme commander and Army commander-in-chief have ever defined a clear role for the military on politics, said the Defence Minister has already issued a policy on this and everyone must follow it.

The military will stay strictly neutral in the election, he said, but when elections are held, soldiers will vote.

He declined to comment on the Premier's call for people to resist any future coup. He also did not respond to former supreme commander Gen Sunthon Kongsomphong's comment that the military cannot guarantee that no further coup. [sentence as published]

More Efforts Used To Find Missing

BK0807013792 Bangkok THE NATION in English 8 Jul 92 pp A1, A2

[Text] Prime Minister Anan Panyarachun yesterday pledged increased efforts to locate several hundred people who went missing during the turbulence in May.

Meanwhile, the government, quoting the results of a fact-finding committee, said the political unrest in May caused Bt11.4 billion [baht] in damage to public and private property.

In addition, the hotel industry lost an estimatd Bt7 billion in targetted revenues in the first half of the year, according to the government.

Anan, speaking to reporters at Government House after a weekly Cabinet meeting, said he had instructed the authorities charged with searching for the missing people to cooperate closely with private organizations which reported a higher number of people still unaccounted for since May.

The government, citing police reports, has said about 280 people are still missing after the military crackdown on pro-democracy demonstrators. However, the pro-democracy mvoement insists the number is more than 700.

The Campaign for Popular Demoracy and the Student Federation fo Thailand, which formed the core of the pro-democracy movement, on Sunday criticized the government for its "slow" search for missing people. They set up a committee to pressure the administration to speed up its efforts.

"The Cabinet has instructed the Police Department to cooperate more with the private centres to check whether the police information submitted to the government today contradicts their information," Anan said.

The Interior Ministry will intensify the search by contacting the homes of missing people through all possible means of communication, the prime minister said.

"Deputy Prime Minister Phao Sarasin promised that effective measures will be adopted within two weeks" to enhance the search, Anan said.

Cabinet members yesterday discussed the issue and expressed concern that the public might have not received enough information on the progress of the government's probe into the May tragedy, according to the prime minister. Anan declined to speculate about whether the probe would confirm allegations that several victims shot dead by soldiers had been taken to unknown destinations.

"We will have to wait until the investigators complete their work. I can't say anything now because we still don't know what the truth is," he said.

The pro-democracy movement has accused the government investigating committee, led by ex-Supreme Court president Sophon Ratanakon, of not being neutral in the probe.

Meanwhile, government spokesman Montri Chenwitthayakan told reporters the exact number of missing people should be known within two weeks.

Mid-Year Agricultural Statistics

BK0207130892 Bangkok BANGKOK POST in English 30 Jun 92 pp 21-23

[From the "Economic Review 1992 Mid-Year" supplement]

[Excerpts] Agricultural production in 1991 expanded by 2 percent as against a contraction of 1.8 percent in 1990 due to more favourable weather conditions during the cultivation season and better prices.

However, production of livestock, particularly of swine and poultry, fell owing to an epidemic that developed in the wake of a heat wave and water shortage early in the year. Fishery production stagnated owing to limited fishing areas and reduced fish culture in coastal areas in line with national policy on mangrove forest preservation.

According to a forecast made early this year by the Research Department of Bangkok Bank, agricultural production this year is expected to expand by 4 percent due to plentiful rainfall in the second half of 1991 and attractive prices for several major crops. In addition, the prospects for exports are bright as several major food production areas in the world have experienced unfavourable weather conditions.

Livestock production is expected to face the problems of higher land prices, labour and other production costs but pork and chicken production is expected to increase due to favourable demand both at home and abroad. Fishery production is expected to expand at a moderate rate due to the depletion of marine resources.

However, the countrywide drought during the first half of this year will reduce the expected growth rate to a certain extent. According to the Ministry of Interior, the drought hit 21,697 villages in 69 provinces. It affected about 10 million people and damaged 5.2 million rai of farmland. Crops affected included the second rice crop, soybean, maize, cassava and sugarcane. Fruit plantations and livestock raising, particularly chicken, and pig farms were also affected.

Paddy production in 1991/92 is estimated to total 19.79 million tons, up 16.2 percent over the previous year due to favourable weather in the second half of 1991 and the more effective control of pests particularly the brown plant hoppers. Total output in 1992/93 is forecast at 19.80 million tons.

Maize output, which dropped from 4.1 million tons in 1989/90 to 3.8 million tons in 1990/91, fell further to 3.6 million tons in 1991/92. The output in 1992/1993 is expected to increase slightly to four million tons.

Cassava output increased slightly by 2.9 percent to 21.15 million tons in 1991/92 from 20.557 million tons from the prior season. It is estimated that the output will edge up further by 1.7 percent to 21.50 million tons in 1992/93.

In 1991/92 sugarcane output increased 13.4 percent to 46 million tons as cultivated area in the Northeast has been increased since many mills were relocated there.

Rubber output rose by 10.8 percent, from 1.2 million tons in 1990 to 1.33 million tons in 1991, which made Thailand the world's largest producer of natural rubber for the first time in history. This was attributed to the successful rubber replantation scheme. The yield from new hybrid rubber trees is as much as six times those of the old native varieties. The trees are reaching maturity, boosting the country's overall rubber output. This year's rubber output is estimated to rise further to 1.38 million tons, up 3.7 percent from last year.

Prices of most agricultural products, both in the local and world markets, remained unfavourable during the first four months of this year. [passage omitted]

On the local market, Bangkok wholesale prices of first grade paddy and 5 percent white rice dropped 7.5 percent and 11.4 percent respectively during the first four months of this year compared to rises of 2.8 percent and 8.4 percent for the whole of 1991. The price of third grade rubber, which dropped 4.1 percent in 1991, declined further by 1.3 percent during January-April this year.

Meanwhile, the price of maize, which dropped 5.3 percent in 1991, rose significantly by 16.6 percent in the first four months of this year. The price of tapioca pellets edged up 0.3 percent during the first four months of this year, but it was still lower than the average in 1991, which was 10.9 percent higher than that of 1990.

Thailand's exports in 1991 totalled 725.8 billion baht, up 23.1 percent over 589.8 billion in 1990. Agricultural exports increased 15.5 percent to 153 billion baht against 132.5 billion baht the previous year.

Rice exports amounted to 3.99 million tons worth 29,561 million baht, up 1.7 percent and 8.5 percent respectively when compared to 3.93 million tons worth 27,257 million baht in 1990. Rubber exports amounted to 1.26 million tons worth 24,953 million baht, increases of 8.2 percent and 5.9 percent respectively. Maize exports amounted to 1.15 million tons worth 3,582 million baht, decreases of 1.5 percent and 4.9 percent respectively from the previous year.

Exports of tapioca products dropped 12.7 percent to 7.04 million tons but the value rose 5.3 percent to 24,368 million baht. On the contrary, exports of sugar rose 14 percent to 2.72 million tons but the value dropped 17.5 percent to 14,813 million baht.

The prospects for agricultural exports in 1992 are brighter than last year. The world economy is expected to grow at a rate of 2.8 percent and the world trade at 5 percent, compared to 0.9 percent and 0.6 percent respectively for 1991. In addition local production of agricultural products increased while production in many other countries were affected by natural calamities.

Rice exports during the first four months of this year amounted to 1.83 million tons worth 13,174 million baht sharp increases of 39.9 percent and 39.5 percent respectively over the same period of last year. It is expected that 1992 could be a golden year for Thai rice farmers and exporters as local rice production increased while the world output dropped.

According to Thailand's Department of Agriculture, world rice output for this year will be much lower than that of the previous year. Total paddy production is estimated at 510 million tons (about 345.5 million tons of milled rice), representing a drop of 9 million tons of paddy (6 million tons of milled rice), or 1.7 percent, when compared to the paddy production of 518.7 million tons (about 351.6 million tons of milled rice) in the 1990/91 season.

The world's supply of milled rice will therefore be some 4.5 million tons short in the 1991/92 season. The volume of world rice trade is estimated at 12.9 million tons, an increase of 400,000 tons or 3.2 percent from the previous year. Consequently, the world's milled rice stocks at the end of 1992 will be reduced by 4.4 million tons (7.6 percent) to 53.7 million tons.

The rice trade is thus highly favourable for local farmers and exporters. Preliminary official figures estimate that rice exports in 1992 will total 4.5 million tons worth 33 billion baht. However, a more in-depth analysis indicates that Thailand's rice exports could well be as high as 5-5.2 million tons, depending on the actual output of the second crop rice.

Maize exports during the first four months of this year amounted to only 0.09 million tons worth only 330 million baht, decreases of 75.5 percent and 71.8 percent respectively from the same period of last year. This was due to the fact that maize supply was not sufficient for domeestic use because of lower output. Total exports of maize this year are estimated at one million tons worth 3,500 million baht, decreases of 13.1 percent and 2.3 percent respectively from last year. Average export price will be higher than last year as world production of maize is estimated to drop. In the United States, the world's largest maize producer, output is expected to drop from 201.5 million tons in 1990/91 to 190.4 million tons in 1991/92 because of long dry spell. Meanwhile, production in China, another major maize producer, was reportedly affected by flood.

Sugar exports during January-March this year amounted to 0.97 million tons worth 4,732 million baht, decreases of 6.4 percent and 17.1 percent respectively from the same period of last year. Total exports of sugar in 1992 are estimated at 3.13 million tons worth 18,000 million baht.

According to the Cane and Sugar Board, during November 1991-April 1992 cane crushing amounted to 46.87 million tons. Sugar output totalled 4.81 million tons comprising 2.67 million tons of raw sugar, 1.27 million tons of white sugar and 0.87 million tons of refined sugar. Average output was 102.51 kilogrammes of sugar per ton of cane, up 8.9 percent from 94.11 kilogrammes last year.

F.O. Licht estimates world sugar production in 1991/92 at 114.29 million tons, a decrease of 0.23 percent from 114.55 million tons from the prior year. World sugar consumption is estimated at 112.63 million tons, up 2.10 percent from 110.31 million tons last year. World sugar stocks are estimated at 35.24 million tons, a 2.48 percent increase from 34.39 million tons last year.

In March this year more than 60 sugar producing and consuming nations negotiated a new accord maintaining the International Sugar Organisation (ISO). The conference unanimously finalised and approved, with the exception of the US which reserved its position an agreement to succeed the International Sugar Agreement of 1987.

The accord, negotiated under the auspices of the United Nations Conference on Trade and Development (UNCTAD), renews the 1987 agreement which was to have expired at the end of 1991 but was extended until the end of 1992. Under the accord, the ISO acts as a clearing house for information about the worldwide sugar and sweetener market without actually intervening in the market. However, there is an "economic provisions" clause, which leaves open the possibility of future ISO market intervention. The US, wanting the ISO to be downgraded to the status of a "study group", tried unsuccessfully to remove the "economic provisions" clause from the accord.

The ISO may suffer severe financial problems if the US, a major importer which pays 10 percent of the ISO's $1.7 million annual budget, pulls out of the organisation.

Exports of rubber during the first quarter of this year totalled 0.39 million tons worth 7,348 million baht, increases of 12.5 percent and 5.4 percent respectively over the same period of previous year. Total exports this year are estimated at 1.3 million tons worth 27,000 million baht.

According to the International Natural Rubber Organisation, rubber prices are expected to gradually inch up during the second half of this year and rise by about 10 percent by year-end due to improved overseas demand and tighter supply. The supply of and demand for rubber is expected to be in good balance this year. Total world output of rubber last year was 5.18 million tons against consumption of 5.11 million tons.

Exports of tapioca products during the first quarter of this year amounted to 2.02 million tons worth 6,593 million baht, increases of 9.9 percent and 15.8 percent respectively over the same period of last year. Total exports of the products are estimated at 7.8 million tons worth 28,000 million baht, increases of 10.7 percent and 14.9 percent respectively over the previous year.

According to the Thailand Development Research Institute (TDRI), which was commissioned by the Ministry of Commerce and the Thai Tapioca Trade Association to conduct a study on tapioca export potential by 1994, the prospects for tapioca exports to the European Community during the next 10 years are not bright and government planners, traders and farmers should prepare for the future downturn.

If the EC modifies its Common Agricultural Policy (CAP), which provides massive subsidies for its farm produce, and cuts price supports for cereal crops such as maize and barley by 35 percent as proposed by EC Farm Commissioner Ray MacSharry, cheap tapioca products from Thailand would be less competitive in the Community. Thus prices for cassava, which is used to produce tapioca pellets, could drop to only 0.68 baht a kilogramme from slightly over one baht at present.

However, exporters expressed doubt over the validity of the forecast, arguing that the drop in price and volume of tapioca exports to the EC would not be as steep as predicted. In addition, they are optimistic that tapioca flour will soon replace tapioca pellets as a major export product.

Vietnam

Vice Chairman Tran Duc Laong Visits Europe

BK0207153992 Hanoi VNA in English 1448 GMT 2 Jul 92

[Text] Hanoi VNA July 2—Vice Chairman of the Council of Ministers Tran Duc Luong left here yesterday for a visit to the Russian Federation, the Republic of Byelarus, the Kingdom of Demmark, and the Kingdom of Norway.

He is accompanied by Dau Ngoc Xuan, chairman of the State committee for Cooperation and Investement; Le Xuan Trinh, first deputy chairman of the State Planning Commission; and a number of vice ministers.

Vo Van Kiet Congratulates Italian Prime Minister

BK0207070592 Hanoi VNA in English 0618 GMT 2 Jul 92

[Text] Hanoi VNA July 2—Chairman of the Council of Ministers Vo Van Kiet has sent a message of congratulations to Mr. Giuliano Amato on his appointment as chairman of Italy's Council of Ministers.

The Vietnamese leaders wished for further consolidation and development of the friendship and cooperation between Vietnam and Italy in the interests of the two peoples, and for peace, cooperation, and development in the region.

Diplomatic Relations Established With Georgia

BK0207155392 Hanoi VNA in English 1445 GMT 2 Jul 92

[Text] Hanoi VNA July 2—Vietnam and Georgia has signed a protocol on the establishment of their diplomatic relations.

Signatories were A. Chikvaidze, first vice premier and foreign mininister of Georgia, and Vietnam Ambassador to the Russian Federation Ho Huan Nghiem , who arrived in Georgia on June 29 on an official visit.

Where there he was received by State Council President E. Shevardnadze and Premier T. Sigur, who both expressed the Georgian state, government and people's support for Vietnam's external policy and praised its normalization and development of relations with China, ASEAN and other countries. The Georgian leaders reiterated Georgia's wish for further consolidation and development of its friendship and cooperation with Vietnam.

Ambassador Ho Huan Nghiem also exchanged views with N. Sitscarisvili, head of Georgia's External Economic Relations Commission, on the promotion of relations between the two countries.

Spokesman Protests Coral Reef Incident by PRC

BK0707154192 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 7 Jul 92

[Text] Asked by newsmen about the recent incident at the Da Lac coral reef south of the Gavelles islands in Vietnam's Truong Sa [Spratly] Archipelago, a spokesman for the Vietnamese Foreign Ministry said:

On the morning of 4 July, a Chinese tugboat cast anchor at a location on the Da Lac coral rift, about two km south of the Gavelles islands at the map coordinate of 10.10 degrees north latitude and 114.15 degrees east longitude. At 0700 on the same day, a trawler and two mortorboats of China landed troops and materials on the Da Lac coral reef south of the Gavelles islands to set up what they called a stone landmark of sovereignty in the middle of the merging part of the reef.

In view of this incident, the Vietnamese Foreign Ministry has sent a note to the Chinese counterpart, reaffirming Vietnamese sovereignty over the archipelagoes of Hoang Sa [Paracels] and Truong Sa [Spratly] including the Da Lac coral reef south of the Gavelles islands, and maintaining that this move has constituted a grave violation of Vietnam's territorial sovereignty and has run counter to the high-level agreement reached between leaders of the two countries in November 1991, namely that the two sides should solve all territorial border disputes including the archipelagoes in the Eastern Sea through peaceful negotiations, and do nothing to complicate the situation pending negotiations. The above incident did no good either to the process of normalizing relations between the two countries of Vietnam and China or the trend toward cooperation in the region.

The note asked China to refain from similar acts in violation of Vietnam's territorial sovereignty over the Truong Sa archipelago and to take steps to promptly remove the landmark of sovereignty at the Da Lac coral reef, south of the Gavells islands.

Brunei Deputy Minister Visits Ho Chi Minh City

BK0207154792 Hanoi VNA in English 1449 GMT 2 Jul 92

[Text] Hanoi VNA July 2—Deputy Foreign Minister of Brunei Dato Haji Awang Voch Avi and his party left here today for Ho Chi Minh City, continuing their official visit to Vietnam from June 29.

While in Hanoi, the Brunei deputy foreign minister and his entourage paid tribute to President Ho Chi Minh at his mausoleum and visited the home and office of the late president. They were received on separate occasions by Chairman of the Council of Ministers Vo Van Kiet, Foreign Minister Nguyen Manh Cam, and Minister of Transport, Communications and Posts Bui Danh Luu.

Deputy Foreign Minister Vu Khoan headed the Vietnamese delegation at the talks with the Brunei delegation. The two sides discussed measures to promote friendship and cooperation between the two countries. The Brunei delegation also met with officials of the Ministries of Transport, Communications and Posts, Finance, Light Industry, Agiculture and Food Industry, Trade and Tourism and Foreign Affairs and the State Committee for Cooperation and Investment.

NHAN DAN on Party Renovation, Rectification

BK0207124992 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 1 Jul 92

[Text] Under the title "A Task of Most Decisive Importance to the Entire Revolutionary Undertaking of Our Country," an editorial in today's NHAN Dan says:

We note with satisfaction that since the seventh party congress, our country's revolution has continued to develop. The political situation has been stable. The single-mindedness in the party and people has been strengthened. Far from experiencing upheaval, the economic situation has, in certain aspects, developed and has produced new sources of strength.

The present situation and our tasks are the new and overall subject of the party Central Committee's third plenum, in which the implementation of the seventh party congress' resolution on renovating and rectifying the party is a task of the most decisive importance to the entire revolutionary undertaking of our country.

As pointed out in the communique of the plenum, the renovation and rectification of the party should be carried out in close combination with the aim of improving the leadership capacity of the party and its militancy, making the party ranks pure, and ensuring the successful implementation of all the political tasks laid down by the seventh party congress.

Thoroughly understanding and creatively applying Marxism-Leninism and Ho Chi Minh's thought, persistently carrying on the policy of renovation along the socialist direction, enhancing the party's leading role, correctly complying with the organizational principles for party activities, and consolidating the close relations between the party and people are the bases for renovating and rectifying the party in compliance with the spirit of the resolution of the party Central Committee's third plenum. This is aimed at ensuring that our party—a vanguard unit of the working class, as well as of the laboring people and nation—is capable of fulfilling its responsibility in leading the socialist revolutionary undertaking in our country.

Do Muoi Cited on Foreign Policy Principles

BK0807070592 Hanoi VNA in English 0700 GMT 8 Jul 92

[Quotation marks as received]

[Text] Hanoi VNA July 8—General Secretary of the Communist Party of Vietnam Central Committee Do Muoi has reaffirmed the Vietnamese party and state's policy to broaden, diversify and multilateralise external activities in all fields, political, economic, cultural, scientific, and technological.

In his address at the recent third party central committee plenum titled 'current situation and our tasks', Do Muoi said:

Last year, our party and state took the initiative in broadening our exteral relations, pushing one step back the policy of economic blockade and isolation against Vietnam, thus helping to make our country stand firm and continue to develop.

This shows that the foreign policy plays a more and more important role because it can combine the strength of the nation with the strength of our time, the national factor with the international factor, and tradition with modernity to take the country forward.

At this juncture, we have to further broaden and raise the efficiency of our external activities to contribute to the materialisation of the overall targets set for the five years of 1991-1995 by the seventh party congress namely 'to overcome difficulties and challenges, strengthen political stability, push back negative phenomena and social injustices and basically get the country out of the present crisis'.

We will continue to strive to maintain peace, broaden our relations of friendship and cooperation with other countries, create a favourable environment and international conditions for our national construction and defence while people for peace, national independence, democracy and social progress.

Applying creatively the fundamental principles of Marxism-Leninism and the Ho Chi Minh thought, our party, state and people have always held firm the banner of national independence and socialism, ensured our national interests, and closely combined genuine patriotism with the internationalism of the working class.

The highest objective of our nation which is also the objective of the working class at present is to quickly get out of crisis, maintain and strengthen political stability, develop the economy and society, to make our people wealthy and our country strong and firmly defend the independence and freedom of the motherland. This also conforms with the aspiration of people the world over for national independence and social progress.

We deeply understand that the determinant factor of the success of renovation lies in the strength of our entire people, of each of us our will power and intelligence and the potentials of the country. At the same time, we also understand that today no country, however developed it may be, can close the door to the world. For a country with a very low standing point like ours it is very important to gain outside sources of strength. We have to formulate wise policies and effective ways to broaden cooperation with foreign countries in order to make full use of the inside potentials and advantages.

Therefore our policy is to broaden, diversify and multilateralise our relations in all fields political ecomomic, cultural, and scientific and technological with foreign parties, states, mass organisations and non-government organisations on the principles of respect for other's independence, sovereignty, and teritorial integrity, non-intervention in each other's internal affairs, equality and mutual benefit, protecting and developing the economy, preserving and developing the fine traditions and identity of the national culture. We are opening wide the door to attract funds, technologies and enter the world market while preserving political stability and national security, protecting our natural resources and environment and minimizing the negative aspects of the open door policy. While broadening our foreign relations to gain the favourable international conditions for carrying out successfully our renovation, we are pursuing our unchangeable policy of solidarity with the socialist countries, the international communist and workers movement, the national independence movement, the non-aligned movement, and other forces of peace and progress in order to contribute actively to the common struggle in away befitting the conditions and practical capacbilities of our country.

We are for establishing friendly and cooperative relations with all other countries in the region, creating an environment of peace and stability around our country, thus meeting our people's interests and also the desire of these countries to strengthen regional integration for peace and development. At the same time, were broadening our relations with the developed capitalist countries, other countries and international organizations as was already declared the 7th congress of our party, namely Vietnam wants to be a friend of all countries in the world community to strive for peace, independence and development. To broaden our external economic relations is aimed at serving the strategy of economic development, gradually renewing the production structure, speeding up industrialization, creating favourable conditions for the development of our economy. To broaden our external economic relations also aims to bring into full play the strengthen of each region, each key area, and insure the political and economic unity of the whole country. The broadening of our external economic relations must be linked with the renewal of economic management system and the change to the market mechanism under state management. We must bring into full play the strengths of all levels and branches and encourage and create favourable conditions for all economic sectors to take part in external economic activities in which the state sector plays the main role. It is very important to ensure good management, to fight against indiscipline and disorganisation, to establish order according to law and the common standards and practices of the world market.

In organizing the implementation, we must ensure the party's leadership and the state's unified management toward all external activities, closely combine the external activities of the state, the party and the people, and closely coordinate external activities with national defence and security. An issue of decisive significance is to train a contingent of cadres for diplomatic and external economic activities with a firm political stance, a high sense of organization and discipline and a high moral as well as professional standard in order to meet the demand for broadening and raising the effectiveness of external activities.

In his speech, Party General Secretary Do Muoi also dealt at length with the task of national defence and security and party building work.

Do Muoi Addresses "Meet Candidates" Gathering

BK0207130592 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 1 Jul 92

[Report by Correspondent Tran Trong Chuy on 1 July Hanoi meeting between National Assembly candidates and representatives of various party, administrative, and mass organizations in Hanoi—portions recorded]

[Summary] "Following democratic deliberations and careful consideration, various units and mass organizations in the capital, Hanoi, have officially recommended 32 candidates to stand for election as deputies to the Ninth National Assembly in Hanoi. Of these candidates are Comrade Do Muoi, general secretary of the Communist Party of Vietnam [CPV] Central Committee; and Comrade Le Quang Dao, chairman of the Eighth

National Assembly." These candidates will represent the people of all strata in the capital.

"Yesterday morning, 1 July, The Hanoi Municipal Fatherland Front held the first meeting at the office of the municipal people's council between National Assembly candidates and representatives of the capital's party, administration, and mass organizations at all levels.

"Attending were Comrade Pham The Duyet, member of the party Central Committee Political Bureau, and secretary of the municipal party committee; Le At Hoi, chairman of the municipal people's committee; Prof. Pham Khac Quang, chairman of the municipal fatherland front; Comrade Nguyen Dinh Loc, chairman of the Hanoi Electoral Committee; and representatives of the Central Electoral Council and the office of the National Assembly and the Council of State."

The meeting began with Prof. Pham Khac Quang delivering a welcoming speech. "He reviewed intensive preparations for the National Assembly election and expressed the confidence of the Hanoi electorate in the National Assembly candidates."

Next, Comrade Le At Hoi, chairman of the municipal people's committee, "presented some sketches about the socioeconomic development in the capital over the past six month, saying that local industrial output increased by more than 19 percent, that 30 percent of the number of industrial enterprises in Hanoi have successfully managed to stand on their own feet and to flourish, that the winter-spring crop yield reached the 133,000 metric tons mark—almost double that in the 1991 winter-spring crop, that trade activities and market prices have been stable, and that public security has been guaranteed. Over the past six month, Hanoi has found jobs for 7,000 people.

"The chairman of the Hanoi municipal people's committee, however, also revealed the constraints and difficulties now encountered by the municipality. These include the scarcity of employment and an increase in social vices."

He also expressed the confidence of the people of Hanoi in the candidates for the Ninth National Assembly and pledged to make the National Assembly election in the capital a success.

"After that, Comrade General Secretary Do Muoi, candidate for the Ninth National Assembly, gave his opinion. He expressed his satisfaction at this meeting and highly valued those contributions made by the Eighth National Assembly deputies to the party's renovation undertaking. He gave his observation on the significance of the Ninth National Assembly election as it will be held following the introduction of the law on the organization of the National Assembly, the law on the election of National Assembly deputies, and the promulgation of the 1992 Constitution. He said:

[Begin Do Muoi recording] "To effectively perform its function as the highest state organ of power, our National Assembly should be strengthened and renovated. The process that called for the involvement of our people nationwide into the draft constitutional amendment was an opportunity for the people to express their views and exercise their right toward the state and the National Assembly. The newly-promulgated constitution and laws are all unanimous in those key points, such as strengthening the capabilities and working conditions of the National Assembly as well as the abilities and responsibility of National Assembly deputies, and creating effective formulas and mechanisms needed for the division of work, for the cooperation between various component organs of powers, and for the inspection and supervision by the people of these activities. The new constitution also defines the responsibity of National Assembly candidates and their relations with the electorate.

"The constitution and the law governing the organization of the National Assembly stipulate that National Assembly deputies are those who represent the will and aspirations of the people—not only in their respective electorates but also in the entire country. Their relationship with the electorate, however, remains the most fundamental requirement. The constitution and the aforementioned laws have clearly defined the system by which deputies will maintain in contact and report their activities, as well as the activities of the National Assembly, to their electorates. They also define how they will answer those demands and suggestions made by their electorates; check, supervise, and follow up the settlement of complaints from citizens; and guide and help citizens in exercizing their rights.

"I suggest that you, citizens, ask your National Assembly deputies to strengthen this relationship because it is the most fundamental relationship between the people and the state. Therefore, management organs and responsible comrades at various levels should create material conditions and organizations needed for the substantive and effective growth of this bilateral relationship and should regard this as their regular task and most important duty toward the people and the party.

"I myself and other comrades are very moved at being trusted and recommended by the people as contestants in the election in Hanoi. I profoundly realize that my duty is to constantly strengthen my relationship with the electorate and to make this relationship animated and realistic in order to contribute to the implementation of the country's common tasks, including those of Hanoi.

"In my capacity, I am very well aware of the heavy duty entrusted to me by the party and the people. I myself and the collectives of the Political Bureau and the party Central Committee will endeavor to struggle to join the entire party, people, and Army in unfailingly implementing the resolution of the seventh party congress and the 1992 constitution if we are to tide our country over the current socioeconomic crisis, increase political stability, firmly defend the independence and territorial integrity of the fatherland, and persist on the path toward socialism so as to bring about plentifulness, social justice, democracy, and happiness for the entire people."

Immediately after the aforementioned meeting, the National Assembly candidates met their voters from various electoral units in Hanoi to prepare a program for forthcoming candidates-voters meetings.

Further on Gathering of Candidates

BK0207141992 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 1 Jul 92

[Text] This morning, 1 July, the Hanoi Municipal VFF [Vietnam Fatherland Front] Committee held a meeting of candidates of the municipality standing for election as deputies to the Ninth National Assembly.

Included among the 32 candidates of Hanoi were Comrade Do Muoi, general secretary of the Party Central Committee; Comrade Le Quang Dao, chairman of the eighth National Assembly; Comrade Pham The Duyet, member of the Party Central Committee Political Bureau and secretary of the municipal party committee; Comrade Le At Hoi, chairman of the municipal people's committee; Comrade Pham Khac Quan, chairman of the municipal VFF committee; and Comrade Nguyen Dinh Loc, chairman of the Hanoi election committee.

Also attending representatives from the Central Electoral Council and the Office of the National Assembly and Council of State, as well as from all the precincts and districts of the municipality.

After warmly welcoming the candidates, Professor Dr. Pham Khac Quan, chairman of the municipal VFF committee, pointed out the efforts of the municipality in holding consultative conferences to recommend candidates. He also pointed out the things that must be done, especially the need to satisfactorily arrange for candidates to meet with voters.

Next, Comrade Le At Hoi reported on the results obtained by Hanoi in socioeconomic development during the first 6 months of this year. He also also presented the five main tasks aimed at satisfactorily carrying out the capital's socioeconomic development for 1992. Comrade Le At Hoi expressed the hope that after being elected to the National Assembly, the candidates would continue to make contributions to the all-round development of the capital.

Comrade Do Muoi, general secretary of the Party Central Committee and a Hanoi candidate for the ninth National Assembly, also addressed this cordial get-together.

Do Muoi, Others Attend Association Anniversary

BK0407094592 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 3 Jul 92

[Text] A solemn ceremony was held in Hanoi this morning by the Vietnam Writers Association to mark its 35th founding anniversary. Attending were large numbers of writers and the association's members of various generations.

Comrade Do Muoi, general secretary of the CPV [Communist Party of Vietnam] Central Committee, attended and addressed the ceremony. Also present were Comrade Nguyen Dic Binh, political bureau member and secretary of the Party Central Committee; Comrade Nguyen Khanh, vice chairman of the Council of Ministers, and representatives from the Hanoi municipal party committee, the Vietnam Arts and Letters Federation executive committee, as well as from many ministries, sectors, and other associations.

In a report read at the ceremony, Writer Vu Tu Nam, secretary general of the association, reviewed the great contributions of writers of various generations, localities, and nationalities to the existence and development of the fatherland, thus making themselves worthy of the expectation of the people and trust of the party. The secretary general said:

Renovation of literature must be linked closely with and cannot be separated from or run counter to that of the revolution. Writers are duty-bound to foster new factors and perceive distinctly that freedom of writing must go hand in hand with a high sense of responsibility to readers.

The report pointed out and condemned books with bad contents, whose authors have allowed themselves to run after money and serve the curious fancies of certain readers, or have taken advantage of poetry and literature to distort or tarnish the reputation of certain individuals and our society, saying that these books cannot be called literary works because they run counter to the aims and principles of the Vietnam Writers Association.

Finally, the secretary general of the Vietnam Writers Association said:

To realistically mark its founding anniversary, the Vietnam Writers Association must continue to attach itself to the revolutionary undertaking of the party and persist in its magnificent direction for the sake of the fatherland and socialism. Meanwhile, Vietnamese writers in all parts of the country must make even worthier contributions to our common cause.

Addressing the ceremony, Comrade General Secretary Do Muoi highly valued the contributions made by Vietnamese writers during the various revolutionary stages. He also affirmed the party confidence in writers and pointed out their glorious responsibility.

Comrade Do Muoi expressed the hope that writers would strive to turn out better and more profound works imbued with patriotism and communism that can meet different aesthetic requirements, can sharpen the intellect of readers and ennoble their soul, and are acceptable to the people.

'Excerpts' From Do Muoi Address

BK0407152592 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 3 Jul 92

["Excerpts" from speech by Party General Secretary Do Muoi at 3 July Hanoi ceremony held by the Vietnamese Writers' Association to mark its 35th anniversary—read by announcer]

[Text] In his speech, after warmly congratulating and highly valuing those great contributions made by the Vietnamese Writers' Association to the national revolution, Comrade General Secretary Do Muoi said:

Now as always, the party has treasured the contingent of intellectuals, writers, and artists. Of them, many have stood the test of time, have been forged in our people's protracted struggle, and have grown up from within the revolutionary movement during the wars of resistance and during the current national construction and defense. In this struggle, the bulk of our country's writers have made every effort to surge forward, trying to fulfill their glorious mandate to contribute to preserving and developing those spiritual values of the nation. At the same time, our writers try to absorb selectively those quintessences of the world culture in order to make the country's literature more copious with every revolutionary stage and become a valuable asset in Vietnam's treasure of folk culture.

Comrade General Secretary Do Muoi went on by stating emphatically: I want to make it clear that your writing career is inseparable from the revolutionary undertaking. Your difficulties are also part of the country's acute difficulties which we must jointly and arduously struggle to overcome if we are to achieve our ideal objectives along the path chosen by President Ho Chi Minh and our party and people.

The comrade general secretary said: Embarking on the new stage, Vietnamese writers are facing many new problems, and their readers are asking for higher and more diversified works.

In order to meet the requirements of the situation and of readership nationwide, I have learned that you, comrades, are engaging in heated debates with different views over those fundamental matters such as the function and characteristics of writing, the relationship between writing and politics, and so forth. Through this, you will reach differing assessments of literary work.

The comrade said: We all know that there is no abstract truth. At the debates on theoretical issues of literature, I think you could hardly reach unanimity unless you stand on the same platform and have the same way of looking at things.

That platform cannot be anything else but the Marxist-Leninist principles and the Ho Chi Minh thought. It must stem from realities of life. Our stance is independence for the nation, freedom and happiness for the people. In the present-day society, literature can never stand above or outside politics. It always springs from our viewpoint and our stance, that is from the revolutionary viewpoint and stance.

It is from this viewpoint and stance that we can have a basis to reach unanimity, to determine the course of our actions, to discover genuine talents who devote their all to the country and people. It is also from that stance that we determine the authentic values of a literary work.

After dealing with those issues in question, Comrade General Secretary Do Muoi criticized the loose control over book publication and pointed out the adverse affect a book with evil contents may cause to society. He said: Alongside the struggle to eliminate negative practices, writers should turn out works that promote positive aspects and new factors which are regarded as the fundamentals in our society.

The comrade added: Each of us is proud of being a Vietnamese, a citizen of a country with an age-old civilization of which literature is an essential component. The more we broaden our international exchanges, the more we must preserve and promote our national identity. Preserving national identity precisely means preserving the nation. That is a very glorious but also very heavy task of our writers.

The comrade general secretary then said: The resolution of the seventh party congress has mentioned many cultural and artistic issues. Introducing the resolution into the literary life is, of course, the task of all those responsible organs of the party and the state. However, I believe that this task must first rest with literary workers, with the writers' association, and with individual writers. Introducing the party line into literary and artistic activities is your duty. At the same time, you, comrades, should contribute to substantiating various resolutions of the party and should recommend implementation measures with the party.

The comrade general secretary expressed his understanding of those difficulties now encountered by Vietnamese writers. He also hoped that Vietnamese writers would understand the country's difficult situation so as to take the initiative in overcoming these difficulties more properly and effectively.

The comrade said: I would like to emphasize one thing. The party and the state may be of some help if you, comrades, face material and financial difficulties. But no one can help you if you, especially those who engage in creative work and writers, want to turn out more interesting and profound works with exalting patriotism and pure communist humanism in response to different aesthetic demands, works which are capable of broadening the knowledge of readers and ennobling their minds and which win the acceptance from the people. These works must be those which are imbued with national identity, translation books that introduce the cultural quintessences of mankind and that encourage the people to struggle to overcome rapids and currents in surging forward. For the sake of the bright future of our nation, these works must be able to rid readers of internal restlessness caused by the negative aspects of social life and by those literary works with evil and noxious contents which have been created locally or which have poured into our country from abroad due to loose control by our literary and artistic organs.

The comrade said: The party hopes that writers profoundly realize their duty toward the destiny of the nation by constantly struggling to surge forward to play the pioneer role in the cultural field and to serve as fighters on the ideological front as was previously the case. I hope that you, comrades, would continue to struggle for the authenticity, the good, and the beauty of literature.

Finally, the comrade general secretary said: Once again, I would like to reassert the party's confidence in the contingent of writers who have singlemindedly associated themselves with the nation and the party over the years, especially since the August Revolution.

I wish Vietnamese writers of various generations stronger unity and friendship and greater efforts to help and guide one another in enthusiastically engaging in creative labor to produce more interesting works in order to duly contribute to bringing Vietnamese literature up to a higher level to meet the trust and expectation from compatriots nationwide.

Do Muoi on Tales of Communist Heroism

BK0407075892 Hanoi VNA in English 0611 GMT 4 Jul 92

[Text] Hanoi VNA July 4—Party Secretary General Do Muoi has urged Vietnamese writers to create more interesting and deeper works with exalting patriots and pure communist humanism in response to different aesthetic demands, works which are capable of broadening the knowledge of readers and ennobling their minds. Speaking at the 35th founding anniversary of the Vietnam Writers' Association held here yesterday, Secretary General Do Muoi continued:

"Embarking on the new stage, Vietnamese writers are facing many new problems, and their readers are asking for higher and more diversified works."

He stressed :

"We all know that there is no abstract truth. At the debates on theoretical issues of literature, I think you could not reach unanimity unless you stand on the same platform and have the same way of looking at things.

"That platform cannot be anything else but the Marxist-Leninist principles and the Ho Chi Minh thought, it must stem from realities of life. Our stance is independence for the nation, freedom and happiness for the people. In the present society, literature can never stand above or outside politics. It always springs from our viewpoint and our stance, that is from the revolutionary viewpoint and stance.

"It is from this viewpoint and stance that we can have a base to reach unanimity, to determine the right direction for our activities, to discover genuine talents who devote their all to the country and people. It is from that stance that we determine the authentic value of a literary work.

"Everybody knows that the good remains the basic aspect of our people, our society. Even those who have little sympathy for us cannot deny the extremely glorious struggle, the valiancy, dynamism, and creation of our party, state, and people in national construction and defence. Neither can they deny our efforts to overcome the serious difficulties in the renewal process in recent years. Nor can they deny our initial but very important achievements. That is why, along with a persistent struggle motivated by a constructive determination to repulse negativism and cruelty, literature must devote an appropriate part to encouraging the positive trend of millions of manual and intellectual workers in our army, and people who are trying to overcome difficulties in their daily work and life. Literature must describe and reflect the Vietnamese soul and character, uphold the humanism, moral values and the fine tradition of our people. Each of us is proud of being a Vietnamese, a citizen of a country with an age-old civilisation of which literature is an essential component.

"The more we broaden our international relations, the more we must preserve and promote our national character. Protecting the national character is actually to defend the nation. That is a very glorious but also very heavy task of our writers."

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